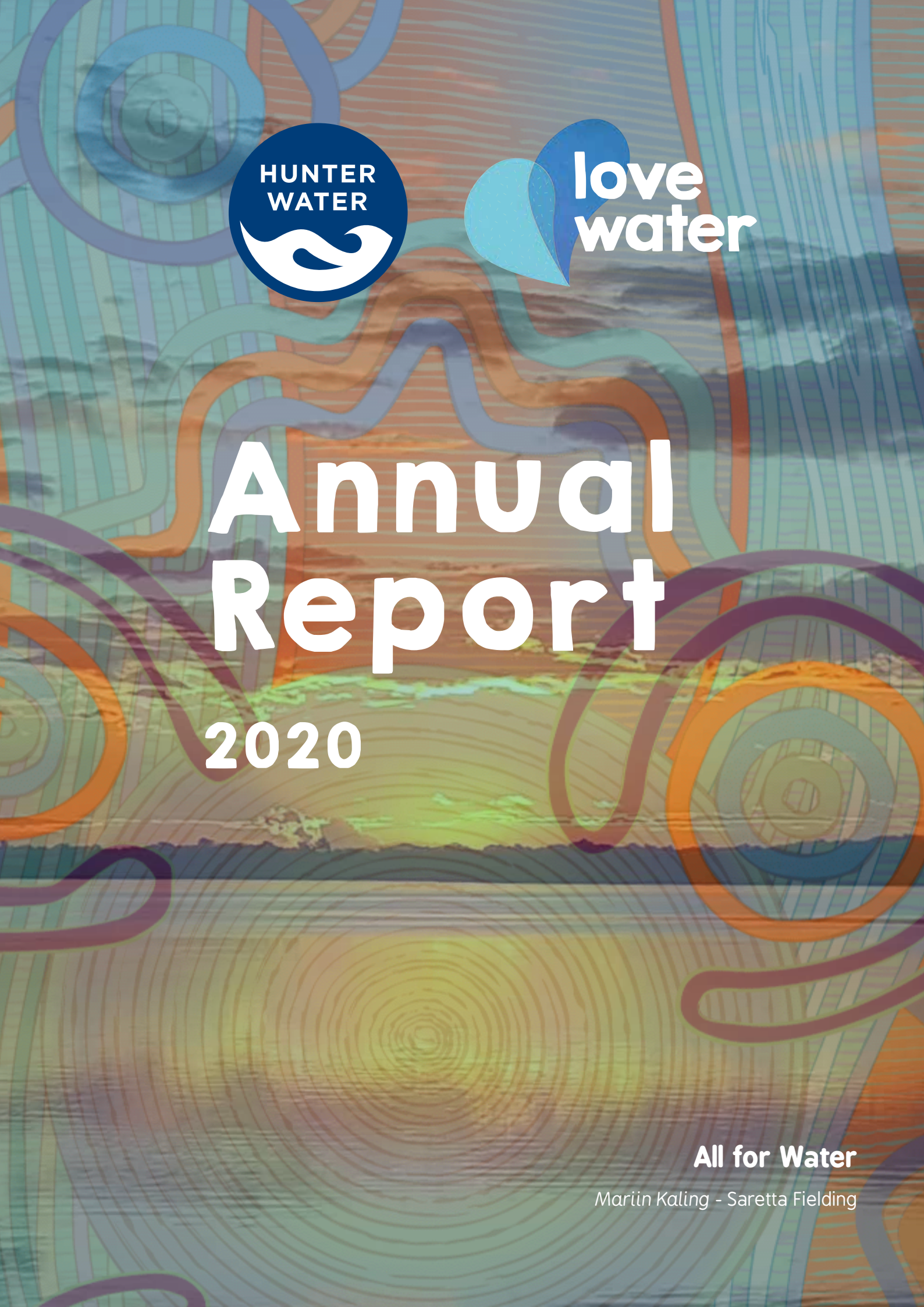
HUNTER WATER
love water
Annual Report
2020
All for Water
Mariin Kaling - Saretta Fielding

ALL IN THIS TOGETHER.

We are making a difference

ACKNOWLEDGEMENT OF COUNTRY

Hunter Water operates across the traditional country of the Awabakal, Birpai, Darkinjung, Wonaruah and Worimi peoples. We recognise and respect their cultural heritage, beliefs and continuing relationship with the land, and acknowledge and pay respect to Elders past, present and future.

ABOUT THIS REPORT

Our Annual Report 2020 provides an overview of Hunter Water's activities and performance for the period 1 July 2019 to 30 June 2020.

It includes our strategic priorities, vision and purpose, highlights from throughout the year, financial reports and statistical information.

Past annual reports can be found at hunterwater.com.au/annualreport.

We welcome feedback. Please email communications@hunterwater.com.au or write to: Communications and Engagement | Hunter Water | PO Box 5171 | HRMC NSW 2310.

LETTER OF SUBMISSION

The Hon. Dominic Perrottet MP
Treasurer
52 Martin Place
SYDNEY NSW 2000

The Hon. Damien Tudehope MLC
Minister for Finance and Small Business
52 Martin Place
SYDNEY NSW 2000

Dear Treasurer and Minister Tudehope

We are pleased to submit the Annual Report of Hunter Water Corporation (Hunter Water) for the financial year ended 30 June 2020 for presentation to the Parliament of New South Wales.

Our Annual Report 2020 was prepared in accordance with section 24A of the *State Owned Corporations Act 1989* and the *Annual Reports (Statutory Bodies) Act 1984*. The financial statements, which form part of the full report, have been submitted to and certified by the Auditor-General of New South Wales.

Yours sincerely

Terry Lawler AO
Chairman

Darren Cleary
Managing Director

LOVING WATER WITH YOU

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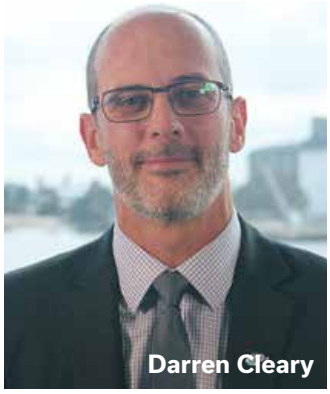
WELCOME

A message from our Chairman and Managing Director

November 2020

Terry Lawler AO


Darren Cleary

The past year has been unlike any other in our long and proud history. As a region, we have experienced one of the worst droughts on record, with Hunter Water storages falling to 52 per cent capacity in early February 2020, necessitating the introduction of Level 2 water restrictions for the first time in 40 years. In late 2019, our region, state and nation experienced the devastation of the Black Summer bushfires, and since then the global community has experienced a worldwide pandemic and the largest economic contraction since the Great Depression.

Our focus throughout has been how we at Hunter Water can best support our community to continue to be resilient to such challenges. We must commend our people - employees and contractors - who have shown resilience and innovation, responding quickly and effectively to the demands of these crises, helping to meet the needs of our customers and region. Our corporate values of Leading, Wellbeing, Trust, Inclusion and Learning have very much been on display over the last year.

Our first priority in responding to COVID-19 has been to adapt the way we work to ensure the safety of the community and our people whilst delivering essential water and wastewater services. In March and April 2020, our operational and maintenance staff rapidly adjusted their work practices to ensure that they could meet all relevant health and social distancing guidelines. Since March, the majority of our office-based staff have been working remotely. The economic impact of the COVID-19 pandemic has been felt by our community and we have focused on how we can support and assist those customers who are experiencing financial hardship.

Our customers and communities must be commended for their response to drought. They have embraced Love Water and helped us to conserve our most precious resource. Together, homes and businesses used 15 per cent less water than forecast, saving the equivalent of the consumption of 52,000 homes. Our community's commitment was matched by Hunter Water's continued efforts to reduce water loss across our network. During the year, we reduced water leakage by a further 13 per cent, taking cumulative savings to 34 per cent over the last three years. We also surveyed more than 100 per cent of our network for leaks and breaks, implemented innovative technologies, and increased recycled water schemes and dual reticulation – switching on a new recycled water scheme at East Maitland.

Rightfully, this annual report documents the year in review, transparently sharing with our community Hunter Water's key achievements and overall business performance from July 2019 to June 2020.

Financially we continue to perform well. The most significant impact to Hunter Water's financial performance was drought and related activities, which resulted in lower revenue from water usage at the same time as increasing operating expenditure across the year. As this report confirms, total revenue for the year was $368.4m, down $7.2m from 2018-19. Total expenses were $297.2m (up $17.9m, primarily due to drought-related costs including operation of the Tomago sandbeds, water

restrictions and planning works for the Belmont Drought Response Desalination Plant). As a result, end of year net profit after tax was $51.8m, with a dividend of $32.9m paid to the NSW Government. At the end of the financial year, Hunter Water held $2.9 billion in assets (up $150m from 2018-19).

Customer affordability remains critical in difficult times. Under the new determination of prices from the Independent Pricing and Regulatory Tribunal (IPART), the average yearly household bill has fallen by $48. In addition to approving a reduction in customer bills, IPART has also approved Hunter Water's proposed $653 million investment program in new infrastructure, technology and service improvements. Over the coming years, these investments will continue to ensure we can cater for growth, build for the future of our region, and deliver a higher level of service to our customers and communities.

The safety, health and wellbeing of our people and communities remained our highest priority, guiding both our response to the COVID-19 pandemic and business activities. In 2019-20, a new Safety, Health and Wellbeing Strategy was launched, integrating both physical and psychological health and wellbeing and focusing on personal leadership. Over the last five years, our Lost Time Injury Frequency Rate has fallen from 4.1 (2014-15) to 2.7 and Total Reportable Injury Frequency Rate from 16 to 8.1. Although this trend is in the right direction we will continue to focus on how we can continue to improve the safety of all of Hunter Water's workers.

Our commitment to diversity and inclusion has supported the business' overall performance, bringing together people from a broad range of backgrounds, perspectives and talents, including the delivery of Indigenous and disability scholarships. We engaged with more than 1,660 school students across the year, promoting water conservation, sharing Indigenous water stories, and helping to inspire careers in STEM subjects. We supported the development of staff through our Leadership Program, the Women in MBA (WiMBA) scholarship, and our Women's Mentoring Program. We have also continued our focus on meaningful reconciliation, working with local First Nations people, and implementing actions in our Reconciliation Action Plan.

We are proud of our involvement in the Winnovators challenge in support of international development charity WaterAid. Hunter Water raised $44,000 to support WaterAid's work to deliver clean water and sanitation to the world's poorest communities and our own Team Mareiwa claimed the Global Award for the challenge to develop a solution to provide safe drinking water for the Indigenous Wayuu people of Columbia.

Work continues on the review of the Lower Hunter Water Security Plan, which will inform the sustainable water future of our region, and address the impacts of climate change, drought and population growth. Community engagement will continue over the 2020-21 financial year, with the plan expected to be released in 2021.

Our vision remains to be a valued partner in delivering the aspirations for our region. Hunter Water, and the Hunter community more generally, are known for our resilience. We have provided essential services to our community for more than 128 years, and will continue to play a key role in supporting and enabling our community to be resilient, sustainable and prosperous.

Terry Lawler AO
Chairman

Darren Cleary
Managing Director

PROUD FACTS

128 years
as part of the local community

1,660
students engaged with our education programs

100%
of our water mains surveyed for leaks

Best in sector
for our customer service

$261,009
given to local community organisations

200,437 tests
in the laboratory to ensure the highest quality water

490 staff
working to deliver for our region

366 days
of 24 hour service delivery - III days under COVID-19 with zero confirmed cases

ABOUT US

Our purpose is to enable the sustainable growth of the region and the life our communities desire, by providing high quality, affordable services.

Hunter Water serves a population of more than 600,000 people in homes and businesses across the Lower Hunter. We provide stormwater services to about one third of our water and wastewater customers. We also provide trade wastewater, recycled water and raw water services.

Hunter Water's area of operations is 5,366 square kilometres and includes the local government areas of Cessnock, Dungog, Lake Macquarie, Maitland, Newcastle, Port Stephens and a small part of Singleton.

We collaborate with stakeholders, advocacy groups and all levels of government so that together we can achieve value for money for our customers and community. Hunter Water is owned by the NSW Government. *The Hunter Water Act 1991* and *State Owned Corporations Act 1989* established Hunter Water and set out our principal functions.

Our proud roots go back to the 1880s when water was first delivered to Newcastle from a temporary pumping station on the Hunter River at Oakhampton via the Newcastle No 1 Reservoir. Like our region, we have grown considerably since then, and we are constantly looking for new ways to provide exceptional services, enable good development and be innovative. We are committed to being a great employer that operates in an efficient and productive manner, enhancing the wellbeing of our employees.

The safety of our people and communities is our highest priority. That includes the safety of Hunter Water's drinking water, which is paramount and confirmed through an extensive monitoring program. We have 68 sampling locations across our drinking water network and routinely test for a wide range of physical, chemical and biological characteristics at all stages of the supply system.

We carefully monitor and treat our wastewater to ensure that we protect the environment. The Office of Environment and Heritage's Beachwatch program confirms we have some of the best beaches and swimming sites in New South Wales, with our waterways clean and safe to use.

Our employees provide services to our customers by building, operating and maintaining a portfolio of water, wastewater, recycled water and stormwater assets with a value of more than $2.9 billion. Together we are building our water resilience capabilities and ensuring a sustainable water future.

Our vision is to be a valued partner in delivering the aspirations for our region.

Five values define who we are as an organisation and how we behave.

LEARNING

INCLUSION

TRUST

LEADING

WELLBEING

SPOTLIGHT

Our year in review

Loving Water together

Our customers embraced Love Water and water restrictions to help conserve our most precious resource. Together, homes and businesses in the region used 15% less water than forecast, equivalent to the consumption of 52,000 homes, saving millions of litres for the future.

COVID-19 support - all in this together

The impacts of the pandemic have been far reaching. We quickly transitioned to new ways of working to keep our people and communities safe while delivering essential services 24 hours a day, seven days a week. We moved services online so that people could continue to do business with us remotely and worked with customers to deliver more than 1,500 tailored assistance plans to those in hardship.

Lower bills and record investment

The Independent Pricing and Regulatory Tribunal released its determination on our prices for the next four years, with a typical Hunter Water household bill to fall by $48 per year. It also gave the green light to our $653 million investment in infrastructure, technology and service improvements.

Achieving greater diversity and inclusion

We launched our first Reconciliation Action Plan to support our work to improve economic, health and social outcomes for Aboriginal and Torres Strait Islander peoples. We also made significant gains in diversity and inclusion, including increasing female board membership to 50%.

Making it easier to do business with us

We launched our new website, increased online developer services, delivered outreach events virtually and extended our social media reach to allow customers more choice and flexibility in connecting with us than ever before. We have a 96% customer satisfaction rate.

Reducing water loss across the network

We cut water leakage by 13%, with a cumulative reduction of 34% over the last three years. We surveyed 100% of our network for leaks, implemented smart technologies and increased recycled water schemes and dual reticulation.

Our contact centre named the best

The CX Mystery Shopping Program named Hunter Water best in sector for 2019-20 among 23 water utilities. The nationally-recognised measure evaluated 30 aspects of our customer service.

Drought and long term water planning

Water restrictions took effect in September 2019 in response to the worst drought on record for New South Wales. As prolonged dry conditions saw our dams dip to their lowest in almost 40 years, we continued work with the NSW Government, stakeholders, customers and our community to develop the Lower Hunter Water Security Plan, expected to be released in 2021.

Building for the future

We delivered major infrastructure improvements including commencing the sewering of Wyee township, replacing an eight kilometre section of the major Chichester Trunk Gravity Main, and completing the Central Coast inter-regional water transfer scheme to increase drought resilience for both regions.

Driving sustainability

We furthered our commitment to progress the Sustainable Development Goals and joined City of Newcastle's SDG Collaborative Group. Hunter Water is also a member of the Hunter Region SDG Task Force.

water
HUNTER WATER
SAVE YOUR

STRATEGIC PRIORITIES

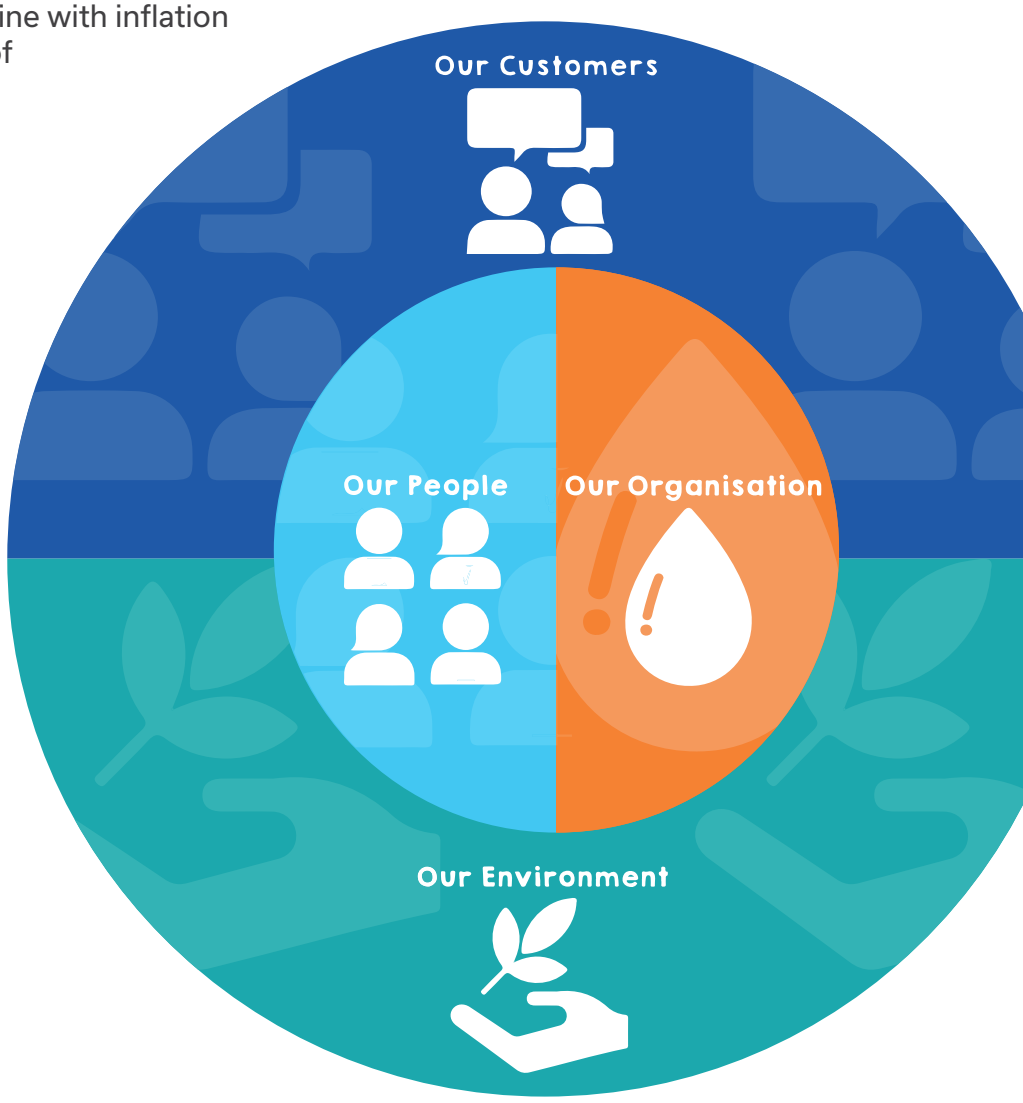
and our Internal Business Plan

The Hunter has long been known for its desirable lifestyle, with its beautiful coastline and bushland, green suburban communities, agricultural expertise and a resilient economy. Hunter Water's vision is to be a valued partner in delivering the aspirations of our region. We have a strong desire to improve the quality of life even further.

In 2019-20 we launched an Internal Business Plan to support this work. The three-year plan identifies four strategic areas of focus and describes how we will continue our transformation towards being a thought-leading, sustainable, agile, innovative, learning, community enabling organisation. Each of the four areas - Our People, Our Customers, Our Environment and Our Organisation has a detailed vision to be achieved over the life of the plan.

Hunter Water has also set four aspirational goals:

- to be carbon neutral by 2030
- to maintain price increases in line with inflation
- to add 10 years to the timing of future source augmentation
- to gain the full support of our customers and community for our decisions.



Our Customers

Our vision:
We enhance our customers' quality of life through the high quality services we provide. We listen to our customers and their experiences and values – this learning is a golden thread that runs throughout our organisation.

Progress in 2019-20 on our Customer strategic initiatives can be found on pages 15-20. Read more about our Love Water campaign and community partnerships, drought response, COVID-19 transformation, investment in key projects, engagement with partners, online experience improvements and the voice of the customer.

Our Environment

Our vision:
We care for our environment and are leaders in sustainability. We embrace the wisdom of Indigenous communities. We look to protect and restore our ecosystems while providing affordable, high quality services that are supported by our community and that promote everyone's health and wellbeing.

Progress in 2019-20 on our Environment strategic initiatives can be found on pages 21-26 and includes details of our push towards carbon neutrality, water conservation, leakage reduction, recycling, long term planning and education initiatives.

Our People

Our vision:
We are a diverse and inclusive team, focused on delivering a safe, high quality service to our customers. We maintain our strong reputation and community trust through our consistent performance. Safety, health and wellbeing are at the heart of our decisions and actions. We are innovative and entrepreneurial, and hungry for change.

Progress in 2019-20 on our People strategic initiatives can be found on pages 27-30. Our achievements include our focus on safety and wellbeing, enhanced diversity and inclusion, transformation under COVID-19 including new ways of working, productivity gains and a new graduate program.

Our Organisation

Our vision:
We enable the aspirations of our region and are at the heart of our region's development. Becoming a more innovative and tech-savvy organisation is resulting in resilient, responsive systems which free up more time for further innovation. Our agile, change-ready approach encompasses everything we do, from long term water planning to adapting to the changing needs of our customers.

Progress in 2019-20 on our Organisation strategic initiatives can be found on pages 31-35. We have worked to deliver productivity savings and become change-ready through new technology and processes. We launched our first Reconciliation Action Plan and began work to implement it, progressed our commitment to sustainability and took part in a pricing review process.

OUR CUSTOMERS

Love Water - together we can

Hunter Water has led the way with an innovative approach to communications and engagement in the water industry. Our community-centric campaign 'Love Water' was developed to highlight the value of water and drive behaviour change in how our region uses this precious resource. It is based on the strong emotion of water giving life and has our people, customers and community at its heart. Love Water aims to influence social change through meaningful, practical messaging showing we can all make a difference.

The Love Water message lives within all our engagement and marketing activities. In 2019-20 the Save Your Buckets concept was created to help people visualise real water savings every time they made a smart water choice. Aside from giving people a practical aide to understanding water saving practices, the Save Your Buckets campaign was underpinned by the introduction of Hunter Water's first ever art-style installation, which featured large scale pods made from buckets. The first pod displayed how much water is used if a single person takes a four minute shower every day for a week, and the second pod, a 10 minute shower every day for a week. The third piece of the installation was a bucket summit, representative of the amount of water an average household would use in just a single week. The installation was moved to various locations throughout the Lower Hunter region and the community response was overwhelming - as an immersive experience, it helped people visualise and quantify their individual water usage and inspired them to make changes in their everyday lives.

The campaign was taken to new heights during the introduction of water restrictions in September 2019 for the first time in 25 years. Throughout this period, the Love Water message was heard across both traditional and digital channels, reaching a larger audience than ever before. The success of the campaign is recognised by a significant behavioural change in water conservation: our region used 15% less water than expected over the year.

The campaign was recognised at industry level winning the Public Relations Institute of Australia NSW (PRIA) award for best government sponsored campaign in 2019. It was also highly commended by PRIA at a national level.

"our region used 15% less water than expected"

Drought in the Lower Hunter

New South Wales has experienced its worst drought on record, with many parts of the state still affected. The impacts of the severe drought were also felt here in the Lower Hunter, with the region's dams falling to their lowest levels in almost 40 years.

With no decent rainfall eventuating or forecast on the horizon, we implemented a range of drought response measures to ensure the ongoing supply of water to our customers and community. This included the use of the Tomago Sandbeds as a safe and reliable back-up water source, the implementation of water restrictions, and further planning for a drought response desalination plant at Belmont. In October 2019, an Environmental Impact Statement was lodged for the desalination proposal, as part of the next step in obtaining planning approvals. The plant is an 'on-the-shelf' insurance policy and would only be built in a worst-case drought scenario.

Despite the dry conditions taking a toll on our water storages, a partnership with several local councils helped supply drinking water to Upper Hunter farming communities who were more severely affected by the drought. The councils, along with private water carters, made 548 deliveries totalling more than 7,000,000 litres of drinking water.

We have also partnered with non-residential customers to make water savings. Businesses, industries, councils and schools account for 27% of water usage across our network. Close engagement with these customers to develop Water Efficiency Management Plans resulted in water savings of 377 megalitres for the year, while the installation of data loggers and active leak detection resulted in annualised water savings of 699 megalitres.

We're all in this Together

Our support programs help ensure that everyone has access to water. We are reaching out to help customers in hardship, through our Payment Assistance Scheme, rebates, targeted referrals and flexible billing options. We have also partnered with the Energy and Water Ombudsman NSW (EWON) and local community organisations to deliver face-to-face assistance at events including Hunter Homeless Connect Day, Seniors Community Expos at Belmont, Charlestown and East Maitland, as well as Bring Your Bills Days at Maitland and Salamander Bay.

COVID-19 has brought new challenges to our region, increasing the number of people experiencing financial hardship. In 2020 we introduced a campaign to promote our support options, "We're all in this together." More than 1,500 assistance plans were delivered to help locals overcome these challenges. We also participated in our first virtual Bring Your Bills Day in collaboration with Kurri Kurri Community Centre and EWON.

At the same time, we joined other water utilities around Australia in highlighting the role of our field crews and frontline customer staff in delivering and maintaining our essential services throughout the COVID-19 lockdown. This formed part of a national social media campaign led by the Water Services Association of Australia called #IStayAtWork.

The COVID-19 global pandemic also impacted our plumbing and wastewater systems. Following a national shortage of toilet paper, we saw an increase in the use of "alternatives" such as tissues, wet wipes and paper towel. When flushed, these items fail to break down in the same manner as toilet paper, resulting in messy and costly blockages both in homes and in Hunter Water's network.

In response, we launched 'Respect the Throne'. This humorous, light-hearted campaign featuring the message that it is only safe to "flush toilet paper, poo and pee" explained the environmental and financial impacts of flushing inappropriate items down the toilet. Respect the Throne, with its quirky animation and jingle, quickly became a highly successful campaign. Our customers have told us they are hearing our messages around the value of water and what not to flush with an average of seven out of 10 respondents indicating they have changed their behaviour based on messages from Hunter Water.

Building for the future

Hunter Water is investing in key projects to help deliver increased services and support sustainable growth. In mid-2019 we commenced construction of the $36 million Wyee Sewer Scheme, jointly funded by the NSW Government and Hunter Water. We are working with more than 400 property owners to provide sewer connections to existing homes and businesses, and constructing gravity sewer mains and pumping stations to service this growing area of Lake Macquarie.

This year we completed a key drought contingency commitment of the Lower Hunter Water Security Plan in the Central Coast inter-regional water transfer scheme. The pipeline enables the transfer of water from the Central Coast into Hunter Water's network and was completed in time for use early in 2020. Now completed, the pipeline is capable of pumping water both ways should either the Hunter or Central Coast need water supplied under water sharing arrangements between the regions.

Work is almost complete on the $45 million replacement of the Chichester Trunk Gravity Main (CTGM) between Tarro and Duckenfield. The CTGM is an 85 kilometre pipeline that transfers water from Chichester Dam to the Lower Hunter, and supplies about 40% of the water used by our customers. The section of the CTGM which has been replaced was built in 1923.

In 2019-20 we have also undertaken an important project to naturalise a section of Munibung Creek in Cardiff, to help prevent future flooding and erosion and improve amenity for the local community. Nearby residents helped shape this work as they were asked what they valued about the creek and what they would like to see improved. Further stormwater channel naturalisation work will begin soon in other creeks, including Cottage Creek in Honeysuckle.

2,200,000
visits to our website hunterwater.com.au

130,000
calls answered by our Contact Centre

$10 million
in developer construction contracts awarded

9,000
buckets given to customers at events to help them save water

15,000
Online form submissions

153
community members attended two deliberative forums

Top to bottom:

Our new website making it easier for our customers to do business with us.

We have partnered with non-residential customers to make water savings.

Our bucket installation demonstrating water consumption in a physical way.

Our All in this Together campaign aimed at assisting those financially impacted by COVID-19.

Enabling the growth of our region

Through the funding of infrastructure, we are actively supporting regional growth.
Hunter Water plays a role in unlocking economic prosperity and attracting people to the region.

In 2019-20 we developed stronger working relationships with our development community. Our 2019 Development Forum was attended by 100 industry professionals, providing an opportunity to share our challenges and seek feedback on services and plans. We also hosted a series of round table discussions to communicate ways we are working and to seek early feedback.

Our development assessment processing times have improved by 15% from 2018-19 to 19-20, being 7.4 days on average, with 84% of customers enjoying turnaround times of less than 10 days. Our continued focus on improving customer experience through better processes and more efficient delivery is contributing to ongoing high satisfaction levels expressed by our customers. In the future, automation of simple transactional services will be further supplemented with more sophisticated self-service options, with the potential to provide best in class performance to developers and their trade allies.

"processing times have improved by 15%"

Initial heightened COVID-19 concerns in 2020 were quickly replaced with buoyant local design and construction activity with land supply struggling to meet demand. The economic stimuli offered to the development sector has helped sustain demand for residential land across the region. Hunter Water has played a pivotal role to support continued work in the land development pipeline to sustain jobs and provide stability to the sector in otherwise uncertain times. Our service model, incorporating online application lodgement for key service lines, ensured developers and their trade allies could work remotely interfacing with Hunter Water without any variability in our quality of service, application queues or processing times. Working from home transformed our service delivery model but also offered opportunities for sector participants to collaborate in new and exciting ways, closing geographic separation, reducing travel and making every computer and mobile device a gateway to excellent customer service.

Each month we measure the developer experience through a survey on key measures such as satisfaction and ease of doing business. In 2019-20, our average score was 8.7 out of 10, positioning us as a leader in the industry even at a time of rapid change and adaption through remote service.

Listening, learning and the voice of the customer

It is vital we listen and learn from our customers and community to build long lasting and trusting relationships and partnerships. Through a defined and meaningful engagement program we are providing ongoing opportunities for community participation in our decision-making, enabling our customers to understand our challenges and become advocates for water conservation.

Our 'always-on' approach ensures that Hunter Water can adapt to meet the changing needs of our community. It allows us to better understand our customers, identify service improvements, and ensure our decisions reflect the aspirations of our region. This means that every interaction we have is an opportunity to listen, learn and respond. We connect with our customers and community in a number of ways for a range of purposes, from the development of our strategic plans such as the Lower Hunter Water Security Plan, through to the design and delivery of infrastructure projects.

We provide opportunities for our community to share their views through many different engagement channels, including our online engagement portal 'Your Voice', social media, stakeholder and community forums, events, schools engagement and regular surveys.

As a listening organisation, we place the customer at the centre of our decision-making and track satisfaction in our services through regular corporate reputation and trust polling, customer experience monitoring and satisfaction surveys. Our monthly community survey shows that our reputation and trust within the community remains strong and improved even further during the COVID-19 lockdown as we quickly implemented support provisions to help our customers when they most needed it.

Making it easier to do business with us

In 2019-20 we delivered a number of initiatives making it easier for our customers to connect with us than ever before, where and how they choose. In recognition of our outstanding customer service and customer satisfaction, Hunter Water was named best in sector among 23 water utilities by the Customer Experience mystery shopping program.

Improvements included the launch of our new website following extensive engagement with our customers on their needs and wants, and testing to ensure accessibility and ease of use. Our website now includes features such as online forms, responsive chat, water usage calculator and real-time outage information. Already we have received more than 15,000 online form submissions which is a 210% increase from 2018-19.

We also delivered improved online services and form submission to minimise the need for travel to our customer service counters, utilised the internet to connect with customers through remote events, and launched new education eResources for students.

We've been able to reach out and engage with our community like never before across Facebook, LinkedIn, Instagram, Twitter and YouTube. Our total social media impressions were 5.7 million in 2019-20, a 125% increase on the previous year, while we had 35,537 link clicks from our posts over the same period, with customers engaging at times best suited to them.

Community events and partnerships

We continue to support events across our region that align with our purpose and help drive awareness of water conservation and sustainability. Local events also give us an opportunity to listen to and talk with our community, share ideas on our water future, and discuss ways we can all Love Water together.

In September 2019 we joined the Living Smart Festival at Lake Macquarie, one of Australia's largest sustainability festivals. Hunter Water provided information on our sustainability and how to save water in the home.

Launching at Music in the Podium, Warners Bay Foreshore, our bucket installation had more than 15,000 visitors in its first location. The feedback from the community was extremely positive, particularly around giving a better understanding of how much water we use when seeing and comparing it in quantities of buckets. It also travelled to Maitland Show and then to Surfest Newcastle, the largest surfing festival in the southern hemisphere.

Hunter Water also provided visitors to the Newcastle Show with drinking water, and worked to support and educate our community on how to save water while still growing edible backyard produce. We continued the provision of buckets and shower timers to customers, as both physical reminders and practical aides to assist them in their water-saving measures.

Love Water grants

In 2019-20 the Love Water grants awarded more than $110,000 to community organisations throughout our area of operations. Projects included rainwater tanks and native plants for schools, self-watering wicking beds for community gardens, and an Indigenous knowledge and water conservation garden at a childcare centre. Our total spend on sponsorships and donations was in excess of $261,000.

OUR ENVIRONMENT

Conserving water across the network

Reducing leakage and water loss across the network is a major focus for Hunter Water and we have continued to improve our performance. In 2019-20 we reduced leakage by 13%, with a cumulative reduction in network leakage over the past three years of 34%.

One of our primary activities to reduce leakage is active leak detection. Over the past year we surveyed more than 6,685 kilometres of water main to identify and fix leaks - more than 100% of our network. We surveyed an average of 120 kilometres per week and at the peak of the drought were surveying 150 kilometres per week.

"a cumulative reduction in network leakage over the past three years of 34%"

We also increased the coverage of smart technology system TaKaDu to 38% of our water network, with plans to expand it to the entire network. It monitors water levels in our reservoirs and the rate of flow through our meters to quickly identify possible leaks or breaks.

Relining of large reservoirs such as Four Mile Creek has further reduced leakage, as has our innovative trial of drones to detect hard-to-find leaks using thermal imaging data. Drone flights have been completed over areas of Newcastle, Mayfield and Cameron Park. Analysis of the data identified an average of 10 potential leaks in each location. On site verification using a combination of ground penetrating radar and acoustic technology was then completed and leaks repaired.

Dual reticulation schemes also allow us to conserve drinking water for the future. In November 2019 we commenced operation of two new schemes to supply recycled water to customers in Gillieston Heights and Chisholm. The schemes are supplying 1,100 properties with recycled water for flushing toilets, washing cars, watering gardens and washing clothes.

Utilising digital technologies to better predict and perform

Digital technologies are being used by the utilities sector to transform the way we work and better deliver services. We are leveraging digital technology to better deliver outcomes for our customers, community and the environment.

Our intelligent networks program is focused on improving our service by reducing risk, improving operational performance and optimising asset investment. The program utilises technological advances in the Internet of Things (IoT), low powered monitoring devices and data analytics. An example is the installation of telemetered monitoring of bores through IoT devices, providing instantaneous live data. This replaces daily physical checks including manual drop tests.

We have also implemented Smart Integrated Pump Scheduling (SIPS), a centralised intelligent control system that schedules pump and asset operations to optimise operational costs and network performance. It monitors and analyses water demand in real-time and learns the behaviour of the network to plan how assets need to operate. The system is now operational across approximately 75% of the water network and is expected to be fully operational by the end of 2020.

We are building on our previous trials in wastewater monitoring to commence the stage one rollout of IoT monitoring of emergency relief structures in our wastewater network in 2021. The data provided will allow us to better understand when they operate and provide an opportunity to combine the information from sensors with data analytics to predict developing blockages and prevent dry weather overflows.

We are also participating in a research program with Sydney Water, the NSW Smart Sensing Network, other utilities and research bodies. It focuses on the use of smart sensing for asset condition assessment and leak detection to prevent breaks in critical water infrastructure.

We are trialling the use of intelligent controls at a pressure reduction valve on our water network to determine if the use of IoT monitoring and flow modulation control could reduce leaks and breaks.

Our field service management program is focused on improving work processes in the field to improve workforce safety and service delivery to better serve our customers, community and

consumers. We are using mobile technologies to develop new ways of working, providing more information to staff when they are in the field to allow them to make the right decisions. To further improve our field service performance, we will introduce new technology to improve how we identify, plan, manage and report on maintenance work. Trials of picture and video work instructions have commenced to ensure that safety procedures are available remotely.

Pushing towards carbon-neutrality

We are committed to increase our energy efficiency, use renewable energies and reduce greenhouse gas emissions as we aspire to become carbon neutral by 2030. Indirect emissions account for 70% of our carbon footprint - this includes the energy we use in our buildings and facilities such as pump stations and treatment plants. The other 30% is made up of direct emissions from sources owned or controlled by us, including wastewater treatment processes, company-owned vehicle travel and non-transport fuel use such as generators. There are numerous benefits of using electricity more wisely.

We are exploring opportunities for self-generation and storage of renewable energy, including wind, pumped hydro and biogas. Hunter Water has started the rollout of on site solar generation at its sites, with $15 million to be invested over four years. The first installation is a 100 kilowatt system at Branxton Wastewater Treatment Works (WWTW) and we are working with a shortlist of more than 20 priority sites for future rollout, including Morpeth, Kurri Kurri, Raymond Terrace and Boulder Bay. The project is expected to reduce Hunter Water's carbon footprint by 7,200 tonnes of emissions per year - the equivalent of taking 1,500 cars off the road. We are also investigating floating solar on Grahamstown Dam and Edgeworth WWTW.

We are installing LED lighting during facility upgrades to reduce consumption, and have contributed funds and in-kind support to a University of Queensland Water Research Australia PhD project on reducing methane emissions from sludge lagoons. Our SIPS program is expected to deliver $500,000 in electricity savings per year including a reduction in consumption of 1,000 megawatt hours, equivalent to a greenhouse gas emission reduction of 800 tonnes of emissions per year.

Recent gains in the area of fleet management include the development of an emissions plan 2030. It includes application of electric technology in heavy vehicles, transitioning dedicated pool vehicles from petrol to hybrid and electric, and identification of underutilised vehicles. It also targets excess idle, which was reduced by 5% in 2018-19 and a further 5% this year.

Reducing, reusing and recycling

During 2019-20, 75% of our solid waste was recovered for reuse and recycling, a significant increase on previous years. Spoil produced from civil works was reduced by 26% through increased soil testing analysis, review and better segregation. Waste was diverted from landfill through resource recovery from Hunter Water depots and we directly donated *Eucalyptus robusta* foliage to be used as koala feed in Port Stephens. Soft plastic recycling was expanded through the Plastic Police program and compostable organics and coffee cups were collected for recycling opportunities.

As new opportunities emerge in the circular economy Hunter Water will be aiming to take a leading regional role in resource recovery and the purchase of more sustainable products including recycled materials and materials with lower embedded carbon emissions in their production.

34%
reduction in leakage over the last three years

11,600
visits to our Your Voice engagement hub

252
solar panels installed at Branxton Wastewater Treatment Works

377,000,000
litres of water saved by local businesses for the future

38%
of our network covered by TaKaDu smart technology

Top to bottom:

Branxton Wastewater Treatment Works, where a 100 kilowatt solar array has been installed, taking us a step closer to our aspirational goal of carbon neutrality by 2030.

Our drone trial to help detect hidden leaks.

Performing routine testing to ensure the highest quality water.

Listening for water leaks with active leak detection technology.

Recovering resources in wastewater

Wastewater contains resources that provide significant benefit to the community. That includes not just recycled water, but also nutrients and energy that can be recovered.

In 2019-20 Hunter Water progressed planning for enhanced resource recovery and carbon reduction in biosolids management. Investigations show that changing the way we manage biosolids toward centralised processing with energy recovery will be the lowest lifecycle cost path forward. We are developing a business case for a capital upgrade investment program that will reduce Hunter Water's carbon emissions by up to 10%, with the treated biosolids safe to reuse for a wide variety of applications. Existing applications include helping rehabilitate mine sites in the Hunter Valley, with the fertiliser product helping to establish vegetation.

Long-term strategic changes in wastewater planning are underway, including the Hunter River Estuary Wastewater Masterplan. It involves detailed scientific understanding of waterway health and the drivers for its improvement, and non-traditional investment options that lead to measurable improvements aligning to community values. The vision for this program is for the wastewater system in the Hunter River Estuary to become a resilient resource recovery system that, through collaboration, enables a healthy environment, thriving communities and a sustainable economy. A similar approach is being taken in wastewater network overflows, where improved science helps inform optimal investment programs and performance targets, informing regulatory approaches.

Our shared water future

Hunter Water is working with the NSW Government, key stakeholders and the community to review the Lower Hunter Water Security Plan (LHWSP) to ensure our region has a resilient water system, now and for future generations. Understanding our community's values and preferences is a key part of our long-term planning. In 2019-20 community engagement for the LHWSP included two deliberative forums with a representative cross section of 153 community members, nine community events, two information sessions, 5,000 engagements with social media posts across our channels and 3,400 visits to the LHWSP Your Voice webpage.

We are actively exploring all options to ensure we understand the environmental and social aspects, the technical feasibility and costs of each, as well as the reliability that each option adds to our water system. We carried out a robust review of a long list of water supply and demand option types to reduce the amount of water we use, supplement our existing water sources and respond to drought. We then shortlisted to narrow down the best options for our region.

Options being investigated to decrease reliance on drinking water include water conservation programs, minimising water losses in our network, stormwater harvesting and recycled water. Options to supplement existing water supplies, so that we are ready should we need them in the future, include water sharing with other regions, dams, recycled water, desalination and groundwater.

Portfolios, or groups, of options are being developed and their performance assessed against future uncertainties. The portfolios will become the main component of the revised LHWSP. Further feedback will be sought from our stakeholders and community before they are finalised, with a view to release the revised LHWSP in 2021.

Empowering the next generation

This year saw us build on the success of our existing education programs and develop new innovative resources to continue engaging students in our region on how they can influence what our water future looks like and be advocates for behaviour change in our community.

The Learning Together to Change Our World program once again proved to be a valuable way of engaging students in deep learning about water resilience, while our youngest community members were reached through the Bubbles and Supa Squirt Water Saving Show. The show was updated in December 2019 to include messaging specific to water restrictions and additional shows funded to be performed in schools and council-operated libraries and caravan parks during the summer months.

During Reconciliation Week we launched a children's picture book titled, 'Where is Our Water?'. Facilitated by the University of Newcastle, the project saw 10 Aboriginal students of Newcastle High School work closely with the Awabakal and Worimi communities to create a story based on their understanding of traditional value of the land and waterways. This was then brought to life by students from the University of Newcastle's Studio Zed who carried out the illustrations and book design. The story, its illustrations and inclusion of local Awabakal and Gathung language will support primary school students in the Lower Hunter to understand the need for conservation of water and its effective management in our region. We look forward to continuing to strengthen our partnerships with the education community to develop quality resources that instil a value for sustainable water practices and gain insight into how students' attitudes and behaviours are changing as a result of participating in our programs.

Protecting land and biodiversity

Catchment management improvements are a key component of Hunter Water's Environmental Management Program. During 2019-20 we worked on the Sustainable Agricultural Project in partnership with Hunter Local Land Services. The program engages with farmers in drinking water catchments and provides incentives through grant funding for on-farm works that will improve water quality outcomes in the catchment.

Hunter Water is progressing its Tillegra Riparian Improvement Project, which will establish a riparian buffer zone on a 24 kilometre section of the Williams River. This year more than $180,000 was invested into removing priority weeds within the catchment. Large scale weed management programs have also been implemented at Stockton, Grahamstown Dam and along Crawchie Creek, which is located at the back of the Shortland Wastewater Treatment Works.

Hunter Water has continued its close partnership with the Hunter Regional Botanic Gardens, located at Heatherbrae. The botanic gardens are located above the Tomago Sandbeds aquifer, and their complementary activities help protect water quality within this important drinking water catchment. In partnership with the gardens, Hunter Water has registered a portion of the site as a NSW biobanking reserve. The reserve provides the land with an important legal protection, confirming that it will be maintained in perpetuity for conservation, and providing revenue and actions that protect and enhance local biodiversity values. The biobanking scheme also provides a source of revenue to support the continued operations of the gardens and an important community education, scientific and recreational asset.

OUR PEOPLE

Leading a safety-first culture

The safety, health and wellbeing of Hunter Water's people and communities is our highest priority. At Hunter Water we strive to be free from harm and injury, both physical and psychological, while continually improving the maturity of our systems, the capability of our people and a positive culture with an emphasis on personal leadership.

In 2019-20 we launched a new Safety, Health and Wellbeing Strategy consisting of five pillars: leadership and culture of excellence, enhancement of management systems, targeted risk reduction programs, health and wellbeing, and stakeholder engagement. Our safety performance indicators, both lag and lead, demonstrate our progress. Over the past five years our Lost Time Injury Frequency Rate has fallen to 2.7 (2019-20) from 4.1 (2014-15), our Total Recordable Injury Frequency Rate (TRIFR) decreased from 16 to 8.1, and our Safety Performance Index was continuously met. In 2020 Hunter Water was certified to international standard ISO45001 Occupational Health and Safety Management System.

Risk reduction programs, particularly changes implemented in the field, have played a role in achieving these results. We have taken action to reduce arc flash exposure, improved confined spaces equipment and processes, and upgraded infrastructure such as generator connection points and electrical switchboards.

"our Lost Time Injury Frequency Rate has fallen to 2.7 from 4.1"

Communication and engagement has been a priority. We have introduced biannual listening forums and maturity assessment forums to gain direct feedback, while monthly videos have allowed us to highlight safety, health and wellbeing in a timely, direct and engaging manner. Through contractor forums we have strengthened partnerships with our contractors, and we have improved consultation through the introduction of a Work Health and Safety Steering Committee.

Continuous improvement

Our Electrical Mechanical Maintenance and Civil Continuous Improvement Committees continue to drive safety improvements at an operational level. This year the focus included design of infrastructure to make maintenance activities safer, enhanced site traffic management including access and egress to sites, changes to plant and equipment including a full review of pipe cutting devices, and upgraded confined space rescue equipment. Improvements were also made to lifting and slinging through development of lifting standards, and uninterruptible power supply units installed to protect the high voltage network.

Hunter Water is also committed to improving safety culture and awareness across its service delivery partners. The Asset Solutions partnership, as a highlight, completed the financial year reducing its TRIFR from 16.2 in November to 5.8 in June. Initiatives implemented include personal safety commitment statements for all staff, increased focus on safety observations and implementation of monthly safety focus areas addressing fatal risks and controls.

Driving a healthy workforce

We continue to drive initiatives that address holistic wellbeing through physical, social and emotional health. At Hunter Water, wellbeing is a lived value. Our quarterly employee Pulse surveys highlight that our people strongly agree we care for each other's safety, health and wellbeing.

Our employees have access to 24/7 support from a team of psychologists through our Employee Assistance Program, allied health services including physiotherapy and chiropractic, and preventative skin checks.

In 2019-20, through our annual initiative 'Month of You' in support of suicide prevention charity RUOK?, our people were able to focus on wellbeing via guest speakers, full body composition analysis, group exercise activities and healthy eating support. We also began rollout of the Five Ways to Wellbeing program to our leaders, providing practical tools to connect, be active, keep learning, be aware and help others.

With the onset of COVID-19 and pandemic conditions, many of our people transitioned to remote working, while essential field-based staff implemented new protocols, including social distancing and split rostering. Recognising this period of rapid change and uncertainty, we moved quickly to implement additional, targeted, practical supports for our people including a Health and Wellbeing eBooklet, weekly wellbeing eNewsletter, online Appli Work Fit platform and a COVID-19 portal including links to internal and external resources. Other initiatives such as Black Dog webinars, mental health team checklists and a series of videos were shared across the business.

Our commitment to diversity and inclusion

Hunter Water believes that diversity is about acceptance and respect of each individual's unique capabilities, experiences and characteristics. We strive to create an inclusive environment in which differences are not only recognised but valued and celebrated. By bringing together people from diverse backgrounds and giving each person the opportunity to contribute their different skills, experiences and perspectives, we are able to deliver the best solutions.

In 2019 Hunter Water participated in the Diversity Council of Australia's Inclusion@Your Work Index. This index measures diversity and inclusion in our workforce and compares findings to a benchmark derived from a nationally representative survey of 3,000 Australian workers. We exceeded the National Index Benchmark for all six categories - awareness, engagement, inclusive organisational climate, inclusive leadership, inclusive team and exclusion.

We have progressed our Women in MBA WiMBA scholarship program. Three new staff members commenced their studies this year and we celebrated the first of our participants to complete her MBA through the program. Meanwhile, our Women's Mentoring Program entered its third year, building leadership capability, confidence and communication skills of women within Hunter Water.

We provided a variety of opportunities to assist students with a disability through scholarship programs and paid work experience. Hunter Water has also become part of the Inclusive 100, a community initiative launched by Castle Personnel to increase employment and the social inclusion of people living with disability. We have made a pledge to employ more people with a disability and to become ambassadors by sharing our experiences and encouraging others to join.

Other initiatives in 2019-20 included our Indigenous scholarships, LGBTIQ+ support events, superannuation sessions to assist those at different life stages, and unconscious bias training.

With an increasingly complex supply chain, we are aware of the need to focus and encourage ethical sourcing and support social and local enterprises, where appropriate, in order to create positive social value. Key objectives of Hunter Water's Procurement Policy are to support sustainable procurement practices and commit to work collaboratively with our suppliers to educate, understand and promote positive social and environmental initiatives that create enduring social benefit.

Our Winnovators take global innovation award

In 2019-20 Hunter Water joined the Winnovators challenge in support of international development charity WaterAid, raising $44,000 to support its work to deliver clean water, sanitation and good hygiene to the world's poorest communities. Three teams of our passionate, talented people joined 29 others from across the world, working to solve real water challenges in developing countries.

Our own Team Mareiwa claimed both the Asia Pacific and Global awards with its solution, 'Wise Water', a holistic and robust intervention designed to address three major barriers to safe water access experienced by the Indigenous Wayuu people of La Guajira, Columbia. Eighty-four per cent of the Wayuu population doesn't have access to clean water close to home.

Supporting professional development

Hunter Water has partnered with Lake Macquarie City Council to deliver a graduate program, providing young professionals the opportunity to develop their professional and technical skills across two diverse organisations. The program is for two years of fixed-term full-time employment, with each successful applicant to spend one year with each organisation. The program was launched in 2019, with three graduates commencing in 2020, and will be open for applications again in 2021.

We have also committed to the robust upskilling of our employees, to help drive productivity, performance, engagement, wellbeing and retention. In addition to continuing our Leadership Development Program, which saw a further 27 leaders complete training in areas such as behavioural change, in 2020 Hunter Water facilitated a series of virtual wellbeing and leadership webinars to support our people working in new ways and times of uncertainty and change. The online sessions allowed our people to connect and collaborate, with 225 attendances across 28 sessions on subjects including managing work at home, strengthening resilience during uncertain times, leading teams remotely, leading through change and developing team performance.

50%
of our board is now women

7,367
hours of training delivered in environment, quality and work health safety

$44,000
raised for WaterAid

249
hours of online training in wellbeing and leadership

7
graduates commenced work

57
employees on formal flexible work arrangements

Top to bottom:

Winnovators winning Team Mareiwa.

The launch of our first graduate program with Lake Macquarie City Council.

APPLI, our work-fit digital health and wellbeing platform, is available to all staff and their families.

We are providing a variety of opportunities to assist students with a disability.

OUR ORGANISATION

Productivity

As part of our previous 2017+3 Strategy, we committed to exceeding an efficiency target of $1.0 million per annum across the life of the strategy. Efficiency savings of more than $1.5 million were realised in 2019-20, building on savings of $3.5 million from the start of 2016-17.

These savings have been achieved in challenging times while managing the impacts of COVID-19 and the drought. At the same time we have delivered improved service levels in key areas such as a reduction in response times for customer reported leaks and breaks. Productivity savings allow us the opportunity of additional investment within the business, providing customers with improved service outcomes.

"Efficiency savings of more than $1.5 million were realised"

Acceleration, innovation and transformation

Being innovative, tech-savvy and change ready is key to Hunter Water's ability to meet the challenges of the future and deliver for our region. That's why our innovation program focuses on building an organisation-wide culture where staff are encouraged to innovate and continuously improve, while forming key collaborative partnerships to leverage our efforts and share knowledge.

Changes to traditional work environments as a result of COVID-19 saw our organisation embrace remote working, established for our office-based people within days. Our frontline workers also quickly adapted to the changing environment with new processes and solutions. Our rapid transformation was possible as we accelerated from the foundations of our existing digital utility program.

Hunter Water is collaborating with external partners to leverage our efforts and share knowledge. A key initiative is the World Water Innovation Fund, where utilities from around the world come together to share their learnings through innovation trials, research, disruptive thinking and ground breaking technology. Another key initiative that commenced in 2019-20 is W-lab, facilitated by Water Services Association Australia and run by Isle Utilities (a technology screening company for water utilities around the globe) and ThinkPlace (a design thinking company). The initiative provides a synergy between human centred design and technology due diligence to create an innovation road map for the water industry, and offer collaborative technology trials.

Innovation was the key to success when it came to a challenging repair job of a critical 900mm water main at Shortland in late 2019. Instead of choosing a traditional dig and repair method, which would have caused significant disruption to a busy arterial road, we proceeded with a trenchless 'triple line' solution using Primus Line technology. The project, which involved installing three flexible liners into the pipeline, was a first-of-its-kind for the Australian water industry, having previously only been implemented in Europe. From extensive research and planning, right through to the implementation, this innovative approach resulted in a great outcome for both the repair of the water main, and for our customers and community in minimising disruption.

Sustainable processes and governance

Our approach to sustainability underpins our commitment to the United Nations Sustainable Development Goals. These 17 interconnected goals address global challenges including poverty, inequality, climate change, environmental degradation, peace and justice.

Hunter Water is proud to be part of an industry that has made a strong collaborative commitment to progress all of the goals. In 2019-20 we worked to integrate sustainability into our Enterprise Risk Management Framework and Procurement Strategy. Strategic initiatives on modern slavery, supplier partnership principles and sustainable procurement will help us to further embed sustainability considerations into our management systems and business as usual. This will enable us to support improved social, environmental and economic outcomes for our region.

Reconciliation through action

During NAIDOC Week 2019 we launched our first Reflect Reconciliation Action Plan (RAP), a reflection of our commitment to create improved economic, health and social outcomes for Aboriginal and Torres Strait Islander peoples. It symbolises our move towards a deeper commitment to reconciliation. We take the time needed to foster genuine partnerships with communities and stakeholders through grassroots engagement.

This year we worked to raise cultural awareness and understanding of history and place. Cultural capacity training was completed by our workforce, we attended community events during NAIDOC Week and Reconciliation Week, and hosted talks from elders and community leaders.

We have worked to ensure Indigenous knowledge and perspectives inform how young people learn about water conservation and the value of water. Our children's book, 'Where's Our Water?', tells a story about native animals living around the Hunter River, drawing on the traditional wisdom and practices of Aboriginal people in caring for our land and waterways.

This year also saw us work with the Wollotuka Institute to undertake research to help us understand Indigenous values of water and bodies of water in our area of operations. This work has informed our future water resource planning as part of the LHWSP.

Recognising that we have many assets across the community, we commenced a program to turn these blank canvasses into public works of art. In late 2019, we worked with Aboriginal students from Mayfield West Demonstration School to design a mural that celebrates their shared value of water and connection to place. Local Aboriginal artist Jasmin Craciun worked with the students to create the design that now features on a nearby pump station, on Awabakal land. More recently, Jasmine designed an artwork in Finnan Park at Grahamstown Dam that features the words Badu Niiarrenumba Girru, meaning 'Our Water is Alive' in the Gathang language of the Worimi people. These are small but impactful projects in community.

As part of our commitment to sustainability, we have become a member of the NSW Indigenous Chamber of Commerce and will continue to partner with local Aboriginal businesses to provide procurement opportunities and assist them in building their capability and profile.

New pricing gives customers greater control over their bills

Hunter Water is committed to meeting the changing needs of its customers and in 2019-20 took part in a pricing review process that will ultimately give customers greater control over their water bills. The IPART determination detailed changes to prices for four years, with the typical household bill falling $48 per year or 3.6% in 2020-21.

Under the new pricing, an increased portion of customer bills is attributed to usage charges, rather than fixed charges, with the water service charge falling from $100 in 2019-20 to $24 in 2020-21. A new drought price has also been introduced for the first time, which would see the cost of water increase after water storages dropped below 60% total capacity. A 15% reduction in water use would fully offset the costs of this drought price.

IPART also allowed for a higher level of investment in infrastructure and customer services over the next four years, with total capital expenditure of $653 million. That includes $331 million for wastewater infrastructure, $193 million for water infrastructure, $32 million for network investments that reduce water loss, $11 million to improve the amenity of stormwater channels and $6 million to irrigate public parks and sporting fields with recycled water.

31%
higher investment in infrastructure and customer services approved

2
murals produced in collaboration with Aboriginal artists and students

76%
reduction in fixed charges on customer bills

$1,500,000
in efficiency savings

2
first-of-their-kind projects for the Australian water industry

243
staff completed cultural capacity training

Top to bottom:

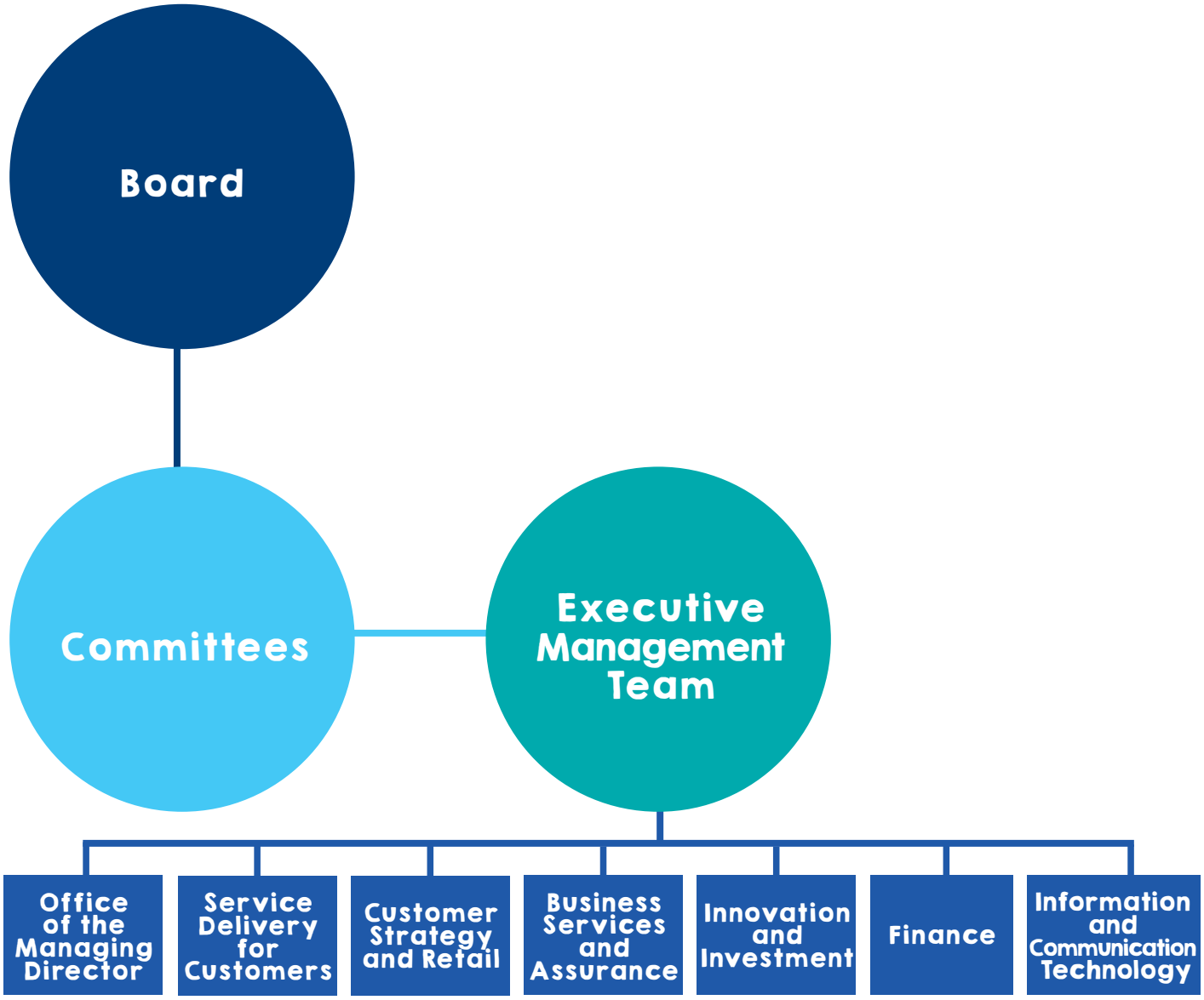
Saretta Fielding, an Aboriginal artist of the Wonaruah and Awabakal Nations, worked with us to create *Mariin Kaling - All for Water.*

Adapting to change and working from home during COVID-19.

Our mural at Grahamstown Dam highlighting our community's deep connection with water.

Australian-first innovative water main repair at Shortland.

OUR STRUCTURE AND GOVERNANCE



Our Board

TERRY LAWLER
AO BCom FCA FAICD FAIM
Chairman
Since 01/01/2012

DARREN CLEARY
BE ME
Managing Director
Since 29/04/2020
(Acting Chief Executive 01/07/2019-21/07/2019 29/02/2020-28/04/2020)

GRAHAME CLARKE
BAppSc MEngSc GAICD
Director
Since 23/06/2014

JAYNE DRINKWATER
BEc MBA (with merit) GAICD CAHRI
Director
Since 21/02/2019

CHRISTINE FELDMANIS
FAICD SFFin TFASFA CPA CSA BCom MAppFin JP
Deputy Chair and Director
Since 08/09/2016

ROD HARRISON
BComm Dr of Business (Causa Honorus)
Director
Since 22/02/2018

RUTH LAVERY
MPH BComm GAICD CA SFFin
Director
Since 23/06/2014

MICHELLE VANZELLA
BEc LIb (Hons) MBA GAICD
Director
Since 22/02/2018

Under the *Hunter Water Act 1991*, our board comprises up to nine members including the managing director, chairperson and seven independent, non-executive directors. It oversees our policies, management and performance; sets our strategic direction and risk appetites; and ensures Hunter Water achieves its business and regulatory commitments. We have a strong corporate governance framework that underpins our strategic objectives and commitment to customers, shareholders and the community.

Our board is appointed by our voting shareholders, the NSW Treasurer and Minister for Finance and Small Business. Directors, excluding the managing director, are appointed for an initial three year term. Upon completion, directors may be appointed for a further term or terms. All non-executive director positions are skills-based, with the managing director the only executive director, appointed by the NSW Governor in accordance with the Constitution and the *State Owned Corporations Act 1989*, upon the recommendation of the board and Hunter Water's portfolio minister.

For full profiles please refer to the Directors' Report on pages 42-44.

Committees

The Hunter Water Board of Directors has established four committees to provide strategic guidance and to strengthen our corporate governance culture. Each committee meets at least four times per year.

AUDIT AND RISK COMMITTEE

Purpose
To assist the board in fulfilling its oversight responsibilities for the financial reporting process, system of internal control, the risk management framework and risk profile, the audit process and Hunter Water's process for monitoring compliance with laws, regulations and corporation policy.

Members
Christine Feldmanis (Chair)
Terry Lawler
Ruth Lavery
Rod Harrison
Darren Cleary (ex officio)

CORPORATE GOVERNANCE COMMITTEE

Purpose
To ensure effective corporate governance within Hunter Water and to advise the board on remuneration policy and matters concerning board evaluation and composition.

Members
Terry Lawler (Chair)
Christine Feldmanis
Rod Harrison
Darren Cleary

SCIENCE, ENVIRONMENT AND HUMAN HEALTH COMMITTEE

Purpose
To assist the board with advice on scientific, environmental science and human health matters and assessment of scientific innovations affecting the current and future operations of Hunter Water and its social and natural environment.

Members
Grahame Clarke (Chair)
Michelle Vanzella
Jayne Drinkwater
Darren Cleary

INVESTMENT COMMITTEE

Purpose
To assist the board in fulfilling its responsibilities in relation to investment of funds, governance, composition and delivery performance of allocated funds.

Members
Grahame Clarke (Acting Chair)
Terry Lawler
Ruth Lavery
Michelle Vanzella
Jayne Drinkwater
Darren Cleary

Executive Management Team

The Executive Management Team, led by the managing director, oversees the operation of the seven divisions at Hunter Water. Its key responsibilities include accountability for operational safety, providing leadership to employees, delivering Hunter Water's strategic vision, managing operations in keeping with the board's risk appetites, and ensuring compliance with regulatory frameworks.

DARREN CLEARY, Managing Director

Operational safety, leadership, delivering our strategic vision and direction, overseeing operating activities, capital programs and projects, compliance and managing stakeholder relationships.

LAURA HAILS, General Counsel and Company Secretary

Business services including legal, governance, audit and assurance, facilities, property management, fleet, corporate projects, environment and sustainability.

STUART HORVATH, Chief Investment Officer (Acting)

Science and innovation, infrastructure and planning, asset management, infrastructure delivery, water resilience and sustainable wastewater.

JENNIFER HAYES, Chief Financial Officer

Regulatory and economic policy, financial control and compliance, corporate accounting and analysis, procurement, and Treasury and business performance reporting.

VICTOR PRASAD, Executive Manager Customer Strategy and Retail

Customer service operations and strategy, community experience, water efficiency and drought management, revenue, retail and development services, and communications and engagement.

RICHARD HARRIS, Chief Information and Technology Officer

Digital utility transformation, strategy, planning, governance, enterprise architecture, project services, business systems, information security and operations.

GLEN ROBINSON, Executive Manager Service Delivery for Customers (Acting)

Intelligent networks, capability engineering, environmental operations, water operations and maintenance delivery.

CLINT THOMSON, Executive Lead - New Ways of Working

Workplace transformation post COVID-19, accelerating and building pathways to new ways of working.

IAN PIKE, Head of People and Culture

Human resources, safety health and wellbeing, workplace culture and organisational change management capability.

Details about our structure, board and committees on pages 38-41 are as at 30 June 2020. Please refer to page 102 for information on changes up to and including 30 November 2020.

Governance

Regulatory framework

We are governed by the *State Owned Corporations Act 1989* and the *Hunter Water Act 1991*. The NSW Government regulates our operations through several regulatory bodies and instruments.

Operating Licence

Our Operating Licence (OL) is set by the Independent Pricing and Regulatory Tribunal (IPART) and is issued by the Governor on the recommendation of our portfolio minister. Our five year OL came into effect on 1 July 2017. It is the overarching regulatory instrument and sets out operating responsibilities, system standards, service standards and customer rights. It requires implementation of management systems for water quality, environment and asset management The Customer Contract also forms part of the OL.

IPART conducts an annual independent audit to assess our compliance against the OL, assessing our performance in meeting service standards and other conditions. The results of audits and reviews are made publicly available by IPART upon completion.

Access to water

We extract water from the Williams, Paterson and Allyn Rivers as well as groundwater sources under conditions set out in licences issued by the NSW Government's Natural Resources Access Regulator under the *Water Management Act 2000*.

Pricing

IPART sets the prices that Hunter Water charges for water supply, sewer services, stormwater drainage and a range of miscellaneous services. In June 2020 it finalised its review of our prices for the four years beginning 1 July 2020, and a copy of the determination can be found on our website.

The determination gives customers more control over their bills than ever before, with an increased portion of bills coming from usage charges, rather than fixed charges. Under the new prices, the typical household bill will fall by 3.6%. It also provides a clear direction for Hunter Water's capital infrastructure works, including $653 million in projects to upgrade water and wastewater networks, as well as to deliver water conservation and leakage reduction initiatives, new water recycling infrastructure and stormwater naturalisation works.

Wastewater systems

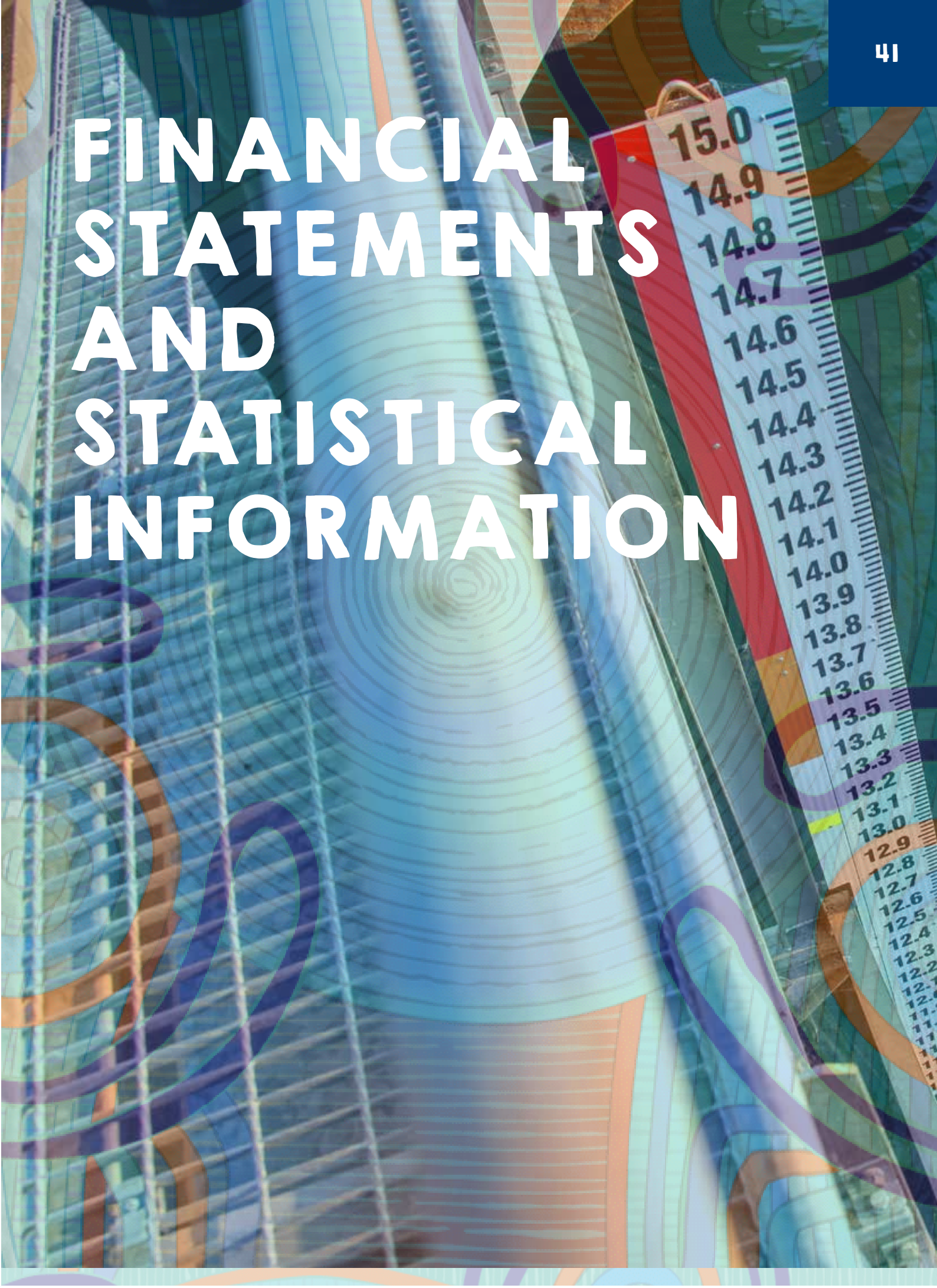
The Environment Protection Authority (EPA) is responsible for the issue of licences under the *Protection of the Environment Operations Act 1997* for the wastewater pipe network, pumping stations and treatment systems. The licences stipulate both quality and quantity conditions for discharge from each wastewater treatment works and are reviewed every five years under the legislation. The licences also specify operational controls and performance reporting for the wastewater pipe network and pumping stations.

Drinking water quality

Hunter Water provides safe and reliable drinking water to almost 600,000 customers. We take a holistic approach to managing our water quality, ensuring we deliver high quality water while protecting the environment. Our OL also requires us to comply with the *Australian Drinking Water Quality Guidelines* - the national reference document for drinking water quality.

Our drinking water systems are aligned to the framework for management of drinking water quality that is part of the Guidelines. It emphasises a preventive multiple barrier approach from the catchment to tap. Drinking water supplied by us is consistently of a very high standard and is well within the requirements of the Guidelines. Quality is ensured by specifying health based and aesthetic criteria as well as maintaining preventive measures to protect water quality. We work closely with NSW Health through a Memorandum of Understanding to ensure that all current and emerging issues associated with drinking water quality are identified and assessed.

FINANCIAL STATEMENTS AND STATISTICAL INFORMATION



Directors' Report

The Directors submit the following report made in accordance with a resolution of the Directors of the Economic Entity for the year ended 30 June 2020.

Directors

The names and details of the Directors of the Economic Entity at any time during or since the end of the year are:

Mr T Lawler AO	Chairman
Mr D Cleary	Managing Director (from 29 April 2020)
Mr P Dalglish	(retired on 7 September 2019)
Ms R Lavery	(retired on 30 August 2020)
Mr G Clarke	
Ms C Feldmanis	
Ms M Vanzella	
Dr R Harrison (Honoris Causa)	
Ms J Drinkwater	
Mr E de Rooy	(from 25 August 2020)
Mr G Crowe	(from 31 August 2020)
Dr J Bentley	(retired on 27 February 2020)
Mr D Cleary	Acting Chief Executive Officer (from 1 July 2019 to 21 July 2019 / from 2 March to 28 April 2020)
Mr G Wood	Acting Chief Executive Officer (from 22 July 2019 to 28 February 2020)

Company Secretary

Ms L Hails

Auditors

Audit Office of New South Wales

Bankers

Commonwealth Bank of Australia

Information on Directors

T LAWLER AO

Mr Terry Lawler AO was appointed as Chair of Hunter Water Corporation in 2012. Terry Lawler is also Chair of Life Without Barriers Limited, a Director of peoplefusion Pty Limited and a member of Ampcontrol.

Mr Lawler has previously been the Chair of National Rail Corporation Limited, Newcastle Knights Limited, Ampcontrol and a Director of Newcastle Port Corporation and Powerdown Australia Pty Limited.

Mr Lawler holds a Bachelor of Commerce and is a Fellow of the Institute of Chartered Accountants Australia, the Australian Institute of Company Directors and the Australian Institute of Management. Terry Lawler was also awarded a Member of the Order of Australia (AO) in 2017.

D CLEARY

Mr Darren Cleary was appointed as Managing Director of Hunter Water Corporation on 29 April 2020. In his role, Darren Cleary leads the Executive Management Team (EMT), and is responsible for the management and day-to-day operations of Hunter Water Corporation.

Mr Cleary has more than 25 years' experience working for utilities in the water sector, including in infrastructure planning, capital delivery and operations.

Mr Cleary is also a Director of the Committee for the Hunter, a member of the Advisory Board for the Newcastle Institute of Energy and Resources (NIER) and the Utility Excellence Committee of the Water Services Association of Australia (WSAA). Mr Cleary holds a Bachelor of Engineering (Environmental) (Honours) from the University of NSW and a Masters of Engineering Management from the University of Technology Sydney.

Information on Directors continued

R LAVERY

Ms Ruth Lavery has a finance and economics background, and is a member of the inaugural Consumer Challenge Panel of the Australian Energy Regulator, advising on consumer perspectives on electricity and gas network regulatory proposals, and served as Trustee of the NSW Government's Responsible Gambling Fund. Ms Lavery originally was appointed as a Director on 23 June 2014 and retired as a Director of Hunter Water Corporation on 31 August 2020.

With many years at a senior level at the NSW Independent Pricing and Regulatory Tribunal and extensive experience in private sector infrastructure investment and business management, she brings to the Board expertise in economic regulation, efficient business practices and financial analysis.

Ms Lavery holds a Bachelor of Commerce, Master of Public Health, is a Graduate Member of the Australian Institute of Company Directors, Charted Accountant and holds Trustee Director Accreditation.

G CLARKE

Mr Grahame Clarke has extensive experience in the functions and administration of local and state government in New South Wales, specialising in the regulation of the environmental health, building and planning functions of local government.

Mr Clarke has an in depth working knowledge of water supply and sewerage systems operated by local Government Councils having been involved in the delivery of the then NSW Government's Country Towns Water Supply and Sewerage Scheme program for New South Wales. Grahame Clarke also worked for the NSW Environment Protection Authority, which included seven years as the Regional Manager for the Hunter Region.

Mr Clarke holds a Bachelor of Applied Science, Master of Engineering Science and is a Graduate Member of The Australian Institute of Company Directors.

C FELDMANIS

Ms Christine Feldmanis has more than 30 years of experience in the financial arena, spanning both the government and private sectors. She has extensive experience in investment management, finance, accounting and risk management, legal and regulatory compliance, governance and business building, in both the listed and unlisted financial products markets. Ms Feldmanis formerly held senior executive positions with firms including Deloitte, Elders Finance, Bankers Trust, NSW TCorp and Treasury Group.

Ms Feldmanis is currently a non-executive director and Chair of the Audit and Risk Committees of Perpetual Equities Investment Company Ltd (ASX: PIC), IMF Bentham Ltd (ASX: IMF) non-executive director of FIIG Securities Ltd and Chair of Bell Asset Management Ltd.

Ms Feldmanis was previously an independent non-executive director of Delta Electricity from 2012 until 2016, chairing the Audit and Risk, and Environment, Workplace, Health and Safety Committees.

Ms Feldmanis is a Fellow of the Australian Institute of Company Directors, Senior Fellowship, ASFA Trustee Director Accreditation, Certified Public Accountant (CPA), Certified Strategic Auditor, holds a Bachelor of Commerce, Master of Applied Finance and is a Justice of the Peace.

M VANZELLA

Ms Michelle Vanzella has an extensive combination of customer, marketing, digital, data and commercial legal skills built up across multiple industries including technology, retail, property and financial services. Michelle Vanzella practiced corporate and commercial law at Allens and has held senior executive positions with iconic Australian brands including Westfield, Suncorp and AAMI.

Ms Vanzella was previously an independent non-executive director of Canteen Australia and Chair of the People and Performance Committee. She is currently a non-executive director at Abbotsleigh School and Chair of the Strategic Planning Committee. She is also a non-executive director at Collaborate Corporation (ASX: CL8) and Chair of the Nomination and Remuneration Committee as well as a member of the Audit and Risk Committee.

Ms Vanzella holds a Bachelor of Economics and Bachelor of Laws, MBA and is a Graduate of the Australian Institute of Company Directors.

R HARRISON (HONORIS CAUSA)

Dr Rod Harrison has over 40 years of experience in industrial relations. Based in Newcastle he has been involved in shipbuilding, ship repair, major civil and mechanical construction and held senior roles at a regional, state and national level in the Australian coal industry.

In 28 years as Judicial Officer, Dr Harrison held a dual commission as Deputy President of the NSW Industrial Relations Commission and the Fair Work Commission and an Occasional appointment to the Tasmanian Industrial Commission and is widely recognised for an innovative and collaborative approach to workplace improvement. Dr Harrison was the inaugural Chair of the University of Newcastle Human Resources, Employment Relations and Management Industry Advisory Group. He was a member of the Establishment Board of the University of Newcastle Foundation, Chair of an advisory committee to the Newcastle Knights Ltd and works with Australian business lawyers and advisors.

Dr Harrison holds a Bachelor of Commerce and Dr of Business Honoris Causa, from the University of Newcastle.

Information on Directors continued

J DRINKWATER

Ms Jayne Drinkwater was previously employed as Interim CEO New Zealand, Chief Marketing Officer and Chief Operating Officer at nib Health Funds. Prior experience includes senior roles with Citibank, Commonwealth Bank, Westpac and ANZ.

Ms Drinkwater is also a Non-Executive Director of Greater Bank, Greater Charitable Foundation and CBHS Corporate Health and has extensive experience as a Senior Executive in the financial services and banking sectors across operations, IT, customer service and marketing.

Ms Drinkwater is an experienced Non-Executive Director and Committee Chair and is currently a member of the Greater Bank Board Audit Committee, Board Risk Committee, Remuneration Committee, Succession Planning Committee and Greater Investment Services.

Prior experience includes Non-Executive Director of the Newcastle Anglican Church Corporation, Hunter Economic Development Corporation, Hunter Sporting Venues Authority, Trustees of Church Property Anglican Diocese of Newcastle and Bishop Tyrrell Anglican College.

Ms Drinkwater holds a Bachelor of Economics, MBA (with merit) and is a Graduate Member of the Australian Institute of Company Directors.

Meetings of Directors

	Board Meetings		Committee Meetings							
			Audit and Risk		Corporate Governance		Science, Environment and Human Health		Board Investment	
	A	B	A	B	A	B	A	B	A	B
T Lawler	11	12	4	4	4	4	*	*	3	4
P Dalglish [a]	2	2	*	*	1	1	*	*	1	1
R Lavery	12	12	4	4	*	*	*	*	4	4
G Clarke	12	12	*	*	*	*	4	4	4	4
C Feldmanis	11	12	4	4	4	4	*	*	*	*
M Vanzella	12	12	*	*	*	*	4	4	4	4
R Harrison	12	12	4	4	4	4	*	*	*	*
J Drinkwater	11	12	*	*	*	*	4	4	4	4
J Bentley [b]	8	8	*	*	1	1	*	*	*	*
G Wood [c]	8	8	3	3	3	3	2	2	3	3
D Cleary [d]	4	4	1	1	1	1	2	2	1	1

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office or was a member of the committee during the year.

* = Not a member of the relevant committee.

a = Director Dalglish retired 7 September 2019.

b = Dr Bentley finished in his role as Managing Director on 30 June 2019 and ceased employment and Director duties on 18 March 2020.

c = Mr Wood appointed as Acting Chief Executive Officer from 22 July 2019 to 28 February 2020 and attended Audit and Risk committee meetings as an ex officio member during the year.

d = Mr Cleary Acting Chief Executive Officer (from 1 July 2019 to 21 July 2019 / from 2 March 2020 to 28 April 2020) and appointed Managing Director from 29 April 2020. Mr Cleary attended Audit and Risk committee meetings as an ex officio member during the year.

Principal Activities

The principal activities of the Economic Entity in the course of the year were the harvesting, distribution and preservation of water; the provision of sewerage facilities; and the construction, control and maintenance of certain stormwater channels.

Financial Results

The operating profit before income tax for the full year ended 30 June 2020 was $71.2m compared with $96.3m for the previous year. An annual dividend of $32.9m has been declared for the year ended 30 June 2020.

Dry conditions and drought had a significant operational impact on the Economic Entity in 2019-20. In August 2019 the Minister for Water, Property and Housing, the Hon. Melinda Pavey, MP, announced the introduction of Level 1 water restrictions in the Lower Hunter commencing on 16 September 2019; the first time in 25 years. As water storages continued to decline, Level 2 water restrictions were introduced from 20 January 2020; the first time since September 1980. In recent months we have seen a recovery in water storage levels following welcome rainfall; from a low of 52% total water storage in early February 2020 to 69% by the end of June 2020, allowing water restrictions to be relaxed from Level 2 to Level 1. The financial impact of drought and extended dry conditions is reflected in the results of the Economic Entity for the financial year ended 30 June 2020

In March 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. On 13 March 2020, Hunter Water Corporation established an Incident Management Team to respond to the COVID-19 pandemic and to ensure the safety, health and wellbeing of our people and our community whilst continuing to deliver essential water and wastewater services that the community rely upon. The economic impact of the COVID19 pandemic has been felt by our community with an increase in the number of customers who are experiencing financial hardship. Our approach to supporting customer hardship, including holds on overdue accounts with no interest charged, flexible payment plans and ceasing the restricting of water meters due to non-payment is consistent with the National Cabinet's measures for hardship support for utilities. The COVID-19 pandemic has had a significant impact on Hunter Water Corporation's operating arrangements, however the immediate financial impact has not been financially material.

Review of Operations Financial

The terminology used in reporting the results is as follows:

Economic Entity: Hunter Water Corporation is referred to as the Economic Entity. Hunter Water Corporation has no controlled entities or subsidiaries. Hunter Water Corporation previously had a subsidiary being Hunter Water Australia Pty Limited which was deregistered on 14 May 2019. The Economic Entity is a consolidated entity for tax purposes.

Subsequent Events

While rainfall is predicted to return to more average levels, the extent and duration of drought and dry conditions in the Lower Hunter into 2020-21 and beyond remains uncertain, as does the future impact to profit (through reduced revenue and higher operating expenditure) should water restrictions continue. Hunter Water Corporation does not consider it practicable to provide a quantitative or qualitative estimate of the potential for ongoing severe drought conditions on the Economic Entity at this time.

Hunter Water Corporation expects that the COVID-19 pandemic will continue to adversely impact economic activity, employment and household disposable income in the Lower Hunter in 2020-21 and beyond. We will continue to align our response to the COVID-19 pandemic with the NSW Government and liaise broadly across the utility sector and with our key stakeholders to understand the dynamic business impacts through this exceptional and uncertain time. The scale and duration of the pandemic remains uncertain as at reporting date, as does the potential impact on Hunter Water Corporation's future revenue, expenditure (operating and capital) and cash flow. Hunter Water Corporation does not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Economic Entity at this time.

There were no other matters or circumstances that have arisen since the end of the year which significantly affected or may affect the operations of the Economic Entity, the results of those operations, or the state of affairs of the Economic Entity in future financial years.

Directors' Indemnification

Hunter Water Corporation has an agreement to indemnify the Directors of the Economic Entity.

The indemnity relates to:

- Any civil liability to a third party (other than Hunter Water Corporation or a related entity) unless the liability arises out of conduct involving lack of good faith,
- Any costs or expenses of defending proceedings in which judgement is given in favour of the officer.

No liability has arisen under these indemnities as at the date of this report.

Change in State of Affairs

Other than matters reported under Subsequent Events in the Directors' Report, in the opinion of Directors there were no significant changes in the state of affairs of the Economic Entity during the year ended 30 June 2020.

Audit and Risk Committee

Hunter Water Corporation has established an Audit and Risk Committee to provide independent assistance to the Board by monitoring, reviewing and providing advice about Hunter Water Corporation's governance processes, risk management and control frameworks, and its external accountability obligations.

The committee's main objectives are to:

- Review the integrity and quality of the financial information to be provided to the shareholders and the public.
- Review the systems and processes that management has in place to identify and manage areas of significant risk, including financial risk.
- Review the effectiveness of both the internal audit function and the Corporation's external auditors.
- Oversee Hunter Water Corporation's fraud and corruption control policies and plans.

The Membership of the Committee at reporting date was as follows:

Ms	C Feldmanis	Director, Committee Chair
Mr	T Lawler	Director, Chairman
Ms	R Lavery	Director (retired 31 August 2020)
Dr	R Harrison	Director
Mr	D Cleary	Managing Director (ex officio member)

Corporate Governance Committee

The Corporate Governance Committee has been established to ensure that the system of corporate governance within Hunter Water Corporation provides an effective and ethical framework within which the Board and Management address their respective responsibilities.
The Committee's main objectives are to:

- Advise the Board on remuneration policy in accordance with the NSW Treasury Commercial Policy Framework: Guidelines for Boards of Government Businesses.
- Advise on all matters concerning the evaluation of Board performance including the composition of the Board and the skills required of individual Directors in allowing it to discharge its responsibilities.
- Review the development and implementation of principles, policies and practices of Corporate Governance, and make recommendations to the Board in relation to these matters, as appropriate.
- Provide advice on appropriately managing the remuneration and performance of employees.

The Membership of the Committee at reporting date was as follows:

Mr	T Lawler	Chairman, Committee Chair
Ms	C Feldmanis	Director
Dr	R Harrison	Director
Mr	D Cleary	Managing Director

Board Investment Committee

The Board Investment Committee has been established to assist the Board of Directors in fulfilling its responsibilities in relation to investment of funds, governance, composition and delivery performance of allocated funds.

The Committee's main objectives are to:

- Review objectives, strategies and policies in relation to the investment of funds, both capital and operating.
- Review the short and long term investment plans and recommend adoption to the Board as required.
- Consider the impact of short term investment plans on long term goals such as intergenerational equity, future investment options and flexibility.

The Membership of the Committee at reporting date was as follows:

Mr	G Clarke	Director, Committee Chair
Mr	T Lawler	Director, Chairman
Ms	R Lavery	Director (retired 31 August 2020)
Ms	M Vanzella	Director
Ms	J Drinkwater	Director
Mr	D Cleary	Managing Director

Science, Environment and Human Health

The Science, Environment and Human Health Committee assists the Board of Directors and the Investment Committee on scientific issues affecting the Corporation, including those relating to the environment and human health.

The Committee's main objectives are to:

- evaluate long term trends of the effects of the Corporation's operation on the environment and human health and evaluate new scientific data or knowledge that has the potential to affect the environment or human health, including emerging contaminants.
- evaluate the impact of legislative changes that may impact on the environment or human health in relation to catchments, drinking water, wastewater, wastewater reuse, waste product management, and associated proposed scientific innovations.
- review the approach to scientific innovations being proposed, including those that may impact on the environment or human health, and evaluate options in line with the Corporation's strategic direction and risk appetite.
- evaluate and provide guidance on emerging scientific innovations and human health issues.

The Membership of the Committee at reporting date was as follows:

Mr	G Clarke	Director, Committee Chair
Ms	M Vanzella	Director
Ms	J Drinkwater	Director
Mr	D Cleary	Managing Director

Directors' Benefits

During or since the end of the year 30 June 2020 no Director of the Economic Entity has received or become entitled to receive a benefit by reason of a contract entered into by the Economic Entity other than what is disclosed in these financial statements with:

- a Director, or
- a firm of which a Director is a member, or
- an Entity in which a Director has a substantial financial interest.

Code of Conduct

The Economic Entity has a Code of Conduct that must be adhered to by all employees. All employees are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Australia.

Environmental Regulation

Operations of the Economic Entity are subject to licences issued under the *Protection of the Environment Operations Act 1997.* During the financial year the Economic Entity materially complied with all requirements in respect to these licences and associated legislation.

Terry Lawler AO
Chairman

Darren Cleary
Managing Director

Newcastle
24 September 2020

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

Hunter Water Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Hunter Water Corporation (the Corporation), which comprise the Income Statement and Statement of Other Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | mail@audit.nsw.gov.au | audit.nsw.gov.au

Independent Auditor's Report continued

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2020. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Fair value of system assets	
At 30 June 2020, the Corporation's statement of financial position reported $2.5 billion in system assets measured at fair value. System assets are highly specialised and account for 98.6 per cent of the total property, plant and equipment balance. I consider this to be a key audit matter because the: • system assets are financially significant to the statement of financial position • discounted cash flow (DCF) model used to value the system assets is complex and involves significant judgements and assumptions • changes in assumptions, such as the discount rate, terminal value, demand growth expectations, price and cost assumptions, can significantly affect the fair value. Further information on the valuation techniques, inputs and sensitivity of the reported balance for system assets is disclosed in Note 10 and Note 13.	Key audit procedures included the following: • obtained an understanding of the Corporation's approach to estimating the fair value of system assets • assessed qualifications, competence and objectivity of valuation experts • assessed whether the DCF model incorporated all key assumptions and inputs relevant to valuing system assets of a water entity and met the requirements of Australian Accounting Standards • reviewed the reasonableness of all the key assumptions and sensitivity of the conclusions to changes in the assumptions • reviewed the model's mathematical accuracy • assessed the adequacy of the financial statement disclosures against the requirements of the Australian Accounting Standards.
Valuing of defined benefit superannuation liabilities	
At 30 June 2020, the Corporation's statement of financial position reported defined benefit net superannuation liabilities totalling $79.1 million. This liability balance was provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment. I consider this to be a key audit matter because: • the defined benefit superannuation liability is financially significant to the statement of financial position • the underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liability • the value of the liability is sensitive to minor changes in valuation inputs. Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 23.	Key audit procedures included the following: • obtained an understanding of the processes and key controls in place supporting the defined benefit superannuation liability calculation • assessed the completeness and accuracy of the membership data used in the model • with the assistance of actuarial experts, reviewed the methodology and key assumptions for reasonableness • assessed qualifications, competence and objectivity of actuarial experts • evaluated the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasury Directions.

Key Audit Matter	How my audit addressed the matter
Accrued unbilled water usage charges	
At 30 June 2020, the Corporation's statement of financial position reported $21.5 million accrued unread revenue accrual for customer water usage. At year end, many customers had water usage which had not been subject to a meter read. I consider this to be a key audit matter because there is significant judgement and uncertainty involved in calculating this accrual, such as the: • amount of water loss in transit between the dam and the end customer • different rates and product offerings for residential and commercial customers • complexity in estimating water usage across a large customer base, which can be influenced by many factors including weather and individual circumstances. Further information on recognition and measurement for accrued unbilled usage charges is disclosed in Note 2(i) and Note 8.	Key audit procedures included the following: • obtained an understanding of the processes and key controls the Corporation has in place to determine the estimated unbilled usage charges • evaluated reasonableness of the key assumptions for water loss factors, sales volume and rates used to determine unbilled water usage charges • assessed the historical accuracy of the estimate against subsequent billings.

Other Information

The Corporation's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Corporation are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Directors' Declaration.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

Director's Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the PF&A Act and the *State Owned Corporations Act 1989*, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Independent Auditor's Report continued

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

25 September 2020
SYDNEY

Financial Statements

Income Statement for the Year Ended 30 June 2020

	Notes	Economic Entity 2020 $'000	2019 $'000
Revenue			
Services	2	368,343	375,478
Other income	2	13	94
Total Revenue		368,356	375,572
Expenses			
Operational expenses	3	(157,131)	(147,952)
Depreciation and amortisation	4(a)	(64,314)	(58,064)
Finance costs	4(b)	(65,898)	(64,397)
Superannuation expense	4(c)	(7,880)	(7,530)
Asset revaluation increment/ (decrement)	4(d)	(44)	(451)
Other	4(e)	(1,898)	(915)
Total Expenses		(297,164)	(279,309)
Profit Before Income Tax		**71,192**	**96,264**
Income tax expense	5(a)	(19,409)	(23,258)
Profit After Income Tax		51,784	73,006
Profit for the Year		51,784	73,006
Profit is attributable to:			
Owners of Hunter Water Corporation		51,784	73,006
		51,784	**73,006**

The Income Statement should be read in conjunction with the accompanying notes.

Statement of Other Comprehensive Income for the Year Ended 30 June 2020

	Notes	Economic Entity 2020 $'000	2019 $'000
Profit for the Year		**51,784**	**73,006**
Other Comprehensive Income			
Items that will not be reclassified to income statement:			
Net increase in assets revaluation reserve	20(a)	(32,043)	(51,332)
Income tax effect relating to net (increase)/decrease in asset revaluation reserve	20(a)	7,974	15,419
Remeasurement of defined benefit superannuation liability		8,661	(22,071)
Income tax effect relating to remeasurement of defined benefit superannuation liability		(2,598)	1,910
Other comprehensive income for the period, net of tax		(18,006)	(56,074)
Total Comprehensive Income for the Year		**33,777**	**16,932**
Total comprehensive income for the year is attributable to:			
Owners of Hunter Water Corporation		33,777	16,932
		33,777	**16,932**

The Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2020

	Notes	Economic Entity 2020 $'000	2019 $'000
Current Assets			
Cash and cash equivalents	7	5,809	4,966
Trade and other receivables	8	42,687	53,738
Current tax assets	15	3,162	-
Inventories	9	3,080	2,625
Total Current Assets		54,737	61,329
Non-Current Assets			
Property, plant and equipment	10	2,805,480	2,698,993
Intangible assets	11	45,130	33,051
Right-of-use assets	12	35,948	-
Other non-current assets	8	436	480
Total Non-Current Assets		2,886,994	2,732,524
Total Assets		**2,941,732**	**2,793,854**
Current Liabilities			
Trade and other payables	14	109,322	99,206
Current tax liabilities	15	-	1,395
Borrowings	16	169,881	209,676
Provisions	17	54,537	162,433
Total Current Liabilities		333,739	472,709
Non-Current Liabilities			
Borrowings	16	1,284,649	983,487
Provisions	17	80,206	88,174
Deferred tax liabilities	18	101,047	108,270
Total Non-Current Liabilities		1,465,902	1,179,931
Total Liabilities		**1,799,641**	**1,652,641**
Net Assets		**1,142,090**	**1,141,213**
Equity			
Share capital	19	116,539	116,539
Reserves	20(a)	327,320	352,451
Retained earnings	20(b)	698,232	672,224
Total Equity		**1,142,090**	**1,141,213**

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the Year Ended 30 June 2020

Economic Entity	Notes	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2019		**116,539**	**352,451**	**672,224**	**1,141,213**
Profit for the Year		-	-	51,784	51,784
Transfer from revaluation reserve to retained earnings on disposal	20	-	(1,062)	1,062	-
Other comprehensive income		-	(24,069)	6,063	(18,006)
Total comprehensive income for the Year		-	(25,131)	58,909	33,777
Transaction with owners in their capacity as owners:					
Distributions to owners:					
Dividends provided for or paid	6	-	-	(32,900)	(32,900)
Contributions from owners:					
Equity Injections		-	-	-	-
Balance at 30 June 2020	19 & 20	**116,539**	**327,320**	**698,232**	**1,142,090**
Balance at 1 July 2018		**116,539**	**388,428**	**763,684**	**1,268,651**
Profit for the Year		-	-	73,006	73,006
Transfer from revaluation reserve to retained earnings on disposal	20	-	(64)	64	-
Other comprehensive income		-	(35,913)	(20,161)	(56,074)
Total comprehensive income for the Year		-	(35,977)	52,910	16,932
Transaction with owners in their capacity as owners:					
Distributions to owners:					
Dividends provided for or paid	6	-	-	(144,370)	(144,370)
Contributions from owners:					
Equity Injections		-	-	-	-
Balance at 30 June 2019	19 & 20	**116,539**	**352,451**	**672,224**	**1,141,213**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the Year Ended 30 June 2020

	Notes	Economic Entity 2020 $'000	2019 $'000
Cash flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		361,110	348,153
Payments to suppliers and employees (inclusive of goods and services tax)		(177,998)	(179,761)
		183,112	**168,392**
Interest received		17	138
Proceeds from environmental levy and developers		7,594	8,870
Borrowing costs		(54,829)	(53,257)
Income taxes paid		(25,814)	(28,176)
Net cash flows from operating activities	21	**110,080**	**95,967**
Cash Flows from Investing Activities			
Purchases of property, plant and equipment		(171,288)	(130,346)
Proceeds from sales of property, plant and equipment		24	28
Net cash flows from investing activities		**(171,264)**	**(130,318)**
Cash Flows from Financing Activities			
Proceeds from borrowings		477,921	122,253
Repayment of borrowings		(268,262)	(72,899)
Payment of principal portion of lease liabilities		(3,262)	-
Dividends paid	6	(144,370)	(43,240)
Net cash flows from financing activities		**62,027**	**6,114**
Net Increase / (Decrease) in Cash and Cash Equivalents		**843**	**(28,237)**
Cash and cash equivalents at beginning of the year		4,966	33,203
Cash and cash equivalents at end of the year	7	**5,809**	**4,966**

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note I. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below and through the notes to the financial statements. These policies have been consistently applied to both years presented, unless otherwise stated.

The terminology used in reporting results is as follows:

- Hunter Water Corporation is referred to as the Economic Entity. Hunter Water Corporation has no controlled entities or subsidiaries. Hunter Water Corporation previously had a subsidiary being Hunter Water Australia Pty Limited which was deregistered on 14 May 2019. The Economic Entity is a consolidated entity for tax purposes.

The Economic Entity's financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 24 September 2020.

A. Basis of Preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with and are compliant with Australian Accounting Standards (and Interpretations) issued by the Australian Accounting Standards Board (AASB), mandates issued by NSW Treasury and other mandatory and statutory reporting requirements, including NSW Treasury Circulars, the *Public Finance and Audit Act 1983*, the *State Owned Corporations Act 1989* and the associated requirements of the *Public Finance and Audit Regulation 2015.*

The Directors have determined that Hunter Water Corporation is a for-profit entity for financial reporting purposes. In preparing the financial statements, the accounting policies described below are based on the requirements applicable to for-profit entities in these mandatory and statutory requirements.

The financial statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Certain classes of property, plant and equipment and intangibles are measured at fair value;
- Defined benefit superannuation liabilities are stated at the present value of accrued benefit obligation less net assets available to pay benefits of the fund assets;
- Employee benefit provisions are stated at the present value of the future obligation for the relevant liabilities concerned; and
- Borrowings are measured at amortised cost.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements:

- Fair Value refer to Note 13;
- Provisions refer to Note 17; and
- Employee Benefits (Superannuation) refer to Note 23.

In response to COVID-19 management has considered the impact of the pandemic on the Economic Entity's financial statements for the year ended 30 June 2020. The impact of COVID-19 on financial results is included in the financial statements and notes for the year.

Management has assessed the impact of COVID-19 including key judgements and assumptions used in following notes to the financial statements:

- Receivables (Note 8);
- Inventories (Note 9);
- Fair Value assessment (Note 13)
- Property, Plant and Equipment (Note 10);
- Intangibles (Note 11);
- Leases (Note 12);
- Provisions (Note 17);
- Superannuation (Note 23); and
- Contingent Liabilities (Note 25).

At balance date, the impact of the COVID-19 pandemic on Hunter Water's financial performance and position was not financially material.

All amounts contained in this report have been rounded to the nearest thousand dollar and are expressed in Australian Dollars.

Note I. Summary of Significant Accounting Policies continued

B. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of the GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST of cash flows from investing and financing activities that are recoverable from the Australian Tax Office are classified as cash flows from operating activities.

Commitments are disclosed inclusive of GST where applicable.

C. Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

D. Australian Accounting Standards and Interpretations Issued but Not Yet Effective

Certain new accounting standards and interpretations applicable to the Economic Entity have been published that are not mandatory for 30 June 2020 reporting periods. NSW Treasury has mandated that the Economic Entity may not early adopt any of these new standards and interpretations.

The Economic Entity assessment of the impact of these new standards and interpretations which may impact the Economic Entity are set out below:

Standard/Interpretation	Issued Date	Applicable to Periods beginning on or after	Applicable Reporting Period
AASB 17 Insurance Contracts	July 2017	1 January 2021	2020-2021
AASB 1059 Service Concession Arrangements: Grantors	September 2019	1 January 2020	2020-2021
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	March 2020	1 January 2022	2021-2022
AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018 - 2020 and Other Amendments	June 2020	1 January 2022	2021-2022
AASB 2020-4 Amendments to Australian Accounting Standards - Covid-19 - Related Rent Concessions	June 2020	1 June 2020	2020-2021

The above Accounting Standards are not expected to have a material impact on the financial results of the Corporation in the reporting period when they become operative.

E. Newly Effective Australian Accounting Standards

The Economic Entity applied AASB 16 *Leases* (AASB 16) for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

AASB 16 supersedes AASB 117 *Leases* and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. Increased disclosures for leases have been included throughout the financial statements in accordance with AASB 16.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have an impact for leases where the Economic Entity is the lessor.

The Economic Entity has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated. The Economic Entity also elected to use the recognition exemptions for lease contracts that at the commencement date have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

Refer to the Leases note (Note 12) which contains more information on the recognition and measurement of the Economic Entity's leases under AASB 16.

Note 2. Revenue

Revenue from contracts with customers	Notes	Economic Entity 2020 $'000	Economic Entity 2019 $'000
Services - Regulated			
Tariff - service charges		173,092	161,031
Tariff - usage charges		128,725	145,752
Environmental charge		7,638	7,714
Sundry revenue		5,225	5,520
		314,680	**320,017**
Other Revenue			
Gain/(Loss) on disposal of assets		(62)	(12)
Unregulated Revenue		569	1,777
		508	**1,765**
Developer contributions – cash		(72)	1,129
Developer contributions – assets		29,887	32,402
		29,816	**33,531**
Government Grants - rebates		16,542	16,322
Sundry Revenue		6,797	3,843
		23,339	**20,165**
		368,343	**375,478**
Other Income			
Interest income		13	94
		13	94
		368,356	**375,572**

Revenue Recognition

Revenue is measured at the fair value of the consideration or contribution received or receivable. Revenue is recognised when the entity satisfies a performance obligation by passing on control of the good or services, where it is probable that the economic benefits will flow to the entity and the amount of revenue can be reliably measured. Revenue is recognised for the major business activities as follows:

(i) Service Revenue

Service revenue reflects revenue raised for the provision of core water and sewer services and includes both fixed service charges and volumetric charges for water. Prices are determined by the Independent Pricing and Regulatory Tribunal (IPART). Regulated revenue is revenue received from our regulated services as declared under the IPART Order 1997.

Revenue is recognised in respect of these services on an accrual basis as the services are provided. Estimated water usage recorded in unread meters is brought to account at 30 June. The estimate is derived by calculating revenue based on water supply that has left water sources (using system flow data), less a component for non-revenue generating supply.

(ii) Unregulated Revenue

Unregulated revenue relates to the revenue raised through the provision of recycled water services.

(iii) Developer Contributions

Contributions from developers can be in the form of both monetary and non-monetary assets. In accordance with AASB 15 *Revenue from Contact with Customers,* where physical asset contributions are received in return for connection to a service delivery network, contributions are recognised as revenue and assets at fair value upon connection. Subsequent measurement of the assets is in accordance with AASB 13 *Fair Value Measurement* using the income approach.

Cash contributions received from developers are recognised as revenue upon connection of services. Environmental levy receipts are considered revenue in nature and are shown at their cash value.

(iv) Property Sales

Revenue is recognised on the signing of an unconditional contract of sale.

(v) Investment Income

Represents earnings on surplus cash invested in the Economic Entity's bank accounts and other deposits with financial institutions.

Interest revenue is recognised as the interest accrues using the effective interest method in accordance with AASB 139 *Financial Instruments: Recognition and Measurement.*

(vi) Government Grants

State government grants are received to offset customer service obligation rebates. Government grants relate to pensioner, environmental levy and exempt property rebates.

Government grants relating to assets are recognised as deferred income with the income presented in profit or loss on a systematic basis over the useful life of the asset.

Note 3. Operational Expenses

	Notes	Economic Entity 2020 $'000	2019 $'000
Employee Related		50,544	47,369
Maintenance		22,134	21,960
Operations		41,490	40,451
Regulatory		8,761	6,940
Corporate		33,543	30,468
Other		659	764
		157,131	**147,952**
Operational Expenses Relating to Maintenance			
Employee related expenses		15,051	13,089
Other		22,813	22,389
		37,864	**35,478**

Recognition and measurement

Expenses are recognised in profit or loss when incurred or as part of ordinary course of business.

Note 4. Expenses

	Notes	Economic Entity 2020 $'000	2019 $'000
Profit before income tax includes the following specific net gains and expenses:			
(a) Depreciation and Amortisation			
Amortisation	11(a) and (b)	5,501	5,509
Depreciation	10(b) and (c)	54,446	52,555
Depreciation - Right of Use Assets	12	4,367	-
Total depreciation and amortisation expense		**64,314**	**58,064**
(b) Finance Costs			
Amortisation of discount / (premium) on loans		15,072	13,805
Long term borrowings - interest		31,880	32,824
Short term borrowings - interest		256	141
Net (Gain) / Loss on borrowings refinanced		-	417
Interest expense from lease liabilities	12	1,570	-
Other interest expense		246	221
Government guarantee fee		22,706	20,651
Capitalised finance costs		(5,831)	(3,662)
		65,898	**64,397**
(c) Superannuation Expense			
Superannuation expense - defined benefit funds		2,532	2,675
Superannuation expense - contributions		5,348	4,855
		7,880	**7,530**
(d) Asset Revaluation Decrement/(Increment)		44	451
(e) Net (Gain) / Loss on Retirement of Property, Plant and Equipment		1,898	915
(f) Expenses Include:			
Other charges against assets - Bad and doubtful debts	8(a)	10	(59)
Lease Expense - short term or low value	12	418	4,858

Recognition and measurement

Interest and other borrowing costs are expensed as incurred unless they relate to the capitalisation of borrowing costs in which case they are capitalised as part of the cost of those assets.

The government guarantee fee represents a fee paid by the Economic Entity to NSW Treasury in relation to the Economic Entity's borrowings.

Note 5. Income Tax

	Notes	Economic Entity 2020 $'000	2019 $'000
A. Income Tax Expense			
Current tax		21,274	26,499
Deferred tax	18	99	2,409
Under/(over) provision		(1,964)	(5,650)
		19,409	**23,258**
Income tax expense is attributed to:			
Continuing Operations		19,409	23,258
		19,409	**23,258**
Deferred income tax revenue/(expense) included in income tax expense comprises:			
Decrease/(increase) in deferred tax liabilities		(993)	(7,499)
(Decrease)/increase in deferred tax assets		894	5,090
Income tax expense is attributed to:			
Profit from Continuing Operations		71,192	96,264
B. Reconciliation Between Income Tax Expense and Profit before Income Tax			
Profit before income tax excluding dividend		**71,192**	**96,264**
Tax rate of 30% (2019 - 30%)		21,358	28,879
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Entertainment non-deductible expenses		6	2
Non-deductible expenses		39	35
Australian owned Research and Development concession claim		106	(8)
		21,508	**28,908**
Under/(over) provision in prior years		(1,964)	(5,650)
Research and development tax offset		(135)	-
Income Tax Expense		**19,409**	**23,258**
C. Tax Expense/(Income) Relating to Items of Comprehensive Income			
Net increase/(decrease) in property plant and equipment revaluation reserve	18	(7,974)	(15,400)
Actuarial gains/(losses) on defined benefit funds	18	2,598	(1,511)
		(5,376)	**(16,911)**

D. Income Tax

The Economic Entity is subject to the National Tax Equivalent Regime (NTER). An "equivalent" or "notional income tax" is payable to the NSW Government through Revenue NSW. The liability for income tax is primarily assessed in accordance with the *Income Tax Assessment Acts of 1936 and 1997* (ITAA) and is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the tax rate enacted at the reporting date adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Note 6. Dividends Paid or Provided for

	Notes	Economic Entity 2020 $'000	2019 $'000
Opening Balance		144,370	43,240
Add: dividend declared at 28.2 cents per share (2019: 123.9 cents per share)	17(a)	32,900	144,370
Less: dividend paid at 123.9 cents per share (2019: 31.7 cents per share)		(144,370)	(43,240)
		32,900	**144,370**

Under the National Tax Equivalent Regime, the Parent Entity is not required to maintain a dividend franking account.

Note 7. Cash and Cash Equivalents

	Notes	Economic Entity 2020 $'000	2019 $'000
Cash at bank and on hand		5,809	4,966
		5,809	**4,966**

There were no deposits at call at 30 June 2020 (2019: nil).
Deposits at call during the year bore interest rates between 0.00% and 0.20% (2019: 0.75% and 1.20%).

A. Reconciliation to Cash at the End of the Year

The above figures are reconciled to cash at the end of the financial years.

Cash and cash equivalents (per Statement of Financial Position)	5,809	4,966
Cash and cash equivalents (per Statement of Cash Flows)	**5,809**	**4,966**

For the purpose of the presentation of the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Refer Note 29 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Note 8. Trade and Other Receivables

	Notes	Economic Entity 2020 $'000	2019 $'000
Current			
Trade debtors		18,971	29,162
Allowance for Impairment on other debtors		(193)	(183)
Accrued revenue - unbilled water usage		21,517	22,344
		40,295	**51,323**
Prepayments		2,392	2,415
		2,392	**2,415**
Total Current		**42,687**	**53,738**
Non-current			
Stock receivable		436	480
Total Non Current		**436**	**480**

A. Movement in the Allowance for Impairment

Balance at beginning of the year	183	242
Amounts written off during the year	(67)	2
Amounts recovered during the year	(48)	(139)
Increase/(decrease) in allowance recognised in Income Statement	125	78
Balance at end of year	**193**	**183**

Details regarding market risk, liquidity risk and credit risk, including financial assets that are either past due or impaired, are disclosed in Note 29.

B. Trade Receivables

Trade receivables are recognised at original invoice amount less allowance for impairment. Recognition of original invoice amount is adopted as this is not materially different to amortised cost, given the short-term nature of receivables.

Accrued revenue for unbilled water usage represents an estimate of the value of consumption by all customers from the time their meter was last read, up until 30 June 2020. The accrual is calculated using actual quantities of water supplied from all water sources, less an estimate for non-revenue generating water supply to derive an estimate of billable consumption. The difference between the estimate of billable consumption and the value of usage charges already billed represents the value of the usage accrual. Estimation of the accrual is inherently complex due to Hunter Water's large and diverse customer base, which can be influenced by many factors including weather, individual consumption patterns and variances in prices paid by different customers in different locations. Once meters are read, customers are billed for charges reflecting consumption per actual meter readings.

Trade debtors for service availability and usage charges receivable are required to be settled within 21 days. Other trade debtors receivable are generally required to be settled within 30 days.

Collectability of receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due. All customer debts, other than those provided for, are considered collectable.

Hunter Water has assessed the collectability of receivables in relation to the economic impact of the COVID-19 pandemic. Hunter Water has provided hardship assistance programs and support services to customers during this difficult time. There has been an increase in customers facing financial hardship as a result of the COVID-19 pandemic and this has been assessed as part of the doubtful debt calculations at 30 June 2020. At balance date, the impact of the COVID-19 pandemic and associated customer hardship has not been financially material.

Any non-current receivables are measured at discounted amortised cost.

Note 9. Inventories

	Notes	Economic Entity 2020 $'000	2019 $'000
Current			
Consumable stores at cost		3,080	2,625
		3,080	**2,625**

Inventories are valued at the lower of cost and net realisable value using the weighted average basis of valuation for the purposes of determining cost. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Note 10. Property, Plant and Equipment

A. Property, Plant and Equipment

Economic Entity	System Assets $'000	General Support $'000	Land $'000	Buildings $'000	Work in Progress $'000	Total $'000
At 1 July 2018 Fair Value						
Cost	-	-	-	-	109,012	109,012
Fair value - market valuation	-	-	6,324	5,763	-	12,087
Fair value - income approach	2,523,268	11,107	-	-	-	2,534,375
	2,523,268	**11,107**	**6,324**	**5,763**	**109,012**	**2,655,474**
At 30 June 2019 - Fair Value						
Cost	-	-	-	-	158,212	158,212
Fair value - market valuation	-	-	7,972	5,821	-	13,793
Fair value - income approach	2,514,787	12,201	-	-	-	2,526,988
	2,514,787	**12,201**	**7,972**	**5,821**	**158,212**	**2,698,993**
At 1 July 2019 - Fair Value						
Cost	-	-	-	-	158,212	158,212
Fair value - market valuation	-	-	7,972	5,821	-	13,793
Fair value - income approach	2,514,787	12,201	-	-	-	2,526,988
	2,514,787	**12,201**	**7,972**	**5,821**	**158,212**	**2,698,993**
At 30 June 2020 - Fair Value						
Cost	-	-	-	-	229,398	229,398
Fair value - market valuation	-	-	8,129	11,189	-	19,318
Fair value - income approach	2,539,163	17,600	-	-	-	2,556,763
	2,539,163	**17,600**	**8,129**	**11,189**	**229,398**	**2,805,480**

B. Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the previous financial year (excluding work in progress) are set out below:

Economic Entity 30 June 2019	System Assets $'000	General Support $'000	Land $'000	Buildings $'000	Total $'000
Net carrying amount 1 July 2018	2,523,268	11,107	6,324	5,763	2,546,462
Additions	93,600	4,828	80	525	99,033
Disposals	(723)	(23)	(5)	-	(750)
Revaluation increments/(decrements)	3,819	-	1,573	93	5,485
Impairment increments/(decrements)	(56,868)	-	-	(25)	(56,893)
Depreciation expense	(48,309)	(3,711)	-	(535)	(52,555)
Net carrying amount 30 June 2019	**2,514,787**	**12,201**	**7,972**	**5,821**	**2,540,781**

Note 10. Property, Plant and Equipment continued

C. Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year (excluding work in progress) are set out below:

Economic Entity 30 June 2020	System Assets $'000	General Support $'000	Land $'000	Buildings $'000	Total $'000
Net carrying amount 1 July 2019	2,514,787	12,201	7,972	5,821	2,540,781
Additions	107,368	8,782	9	6,636	122,794
Disposals	(1,000)	(5)	-	-	(1,005)
Transfers between classes	(149)	-	149	-	-
Revaluation increments/(decrements)	59,446	-	-	-	59,446
Impairment increments/(decrements)	(91,480)	-	-	(9)	(91,489)
Depreciation expense	(49,809)	(3,379)	-	(1,258)	(54,446)
Net carrying amount 30 June 2020	**2,539,163**	**17,600**	**8,129**	**11,189**	**2,576,081**

Refer to Note 13(B) and (D) for further information on the valuation process.

D. Property, Plant and Equipment

Acquisitions and Capitalisation

All items of property, plant and equipment are recognised initially at cost. Subsequent to initial recognition, certain classes of assets are revalued in accordance with the Economic Entity's revaluation policies (see Fair Value below).

Cost is the amount of cash or cash equivalents paid or other consideration given to acquire the asset, including costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Items costing greater than $500 individually and having a minimum expected operational life of over one year are capitalised.

The Economic Entity recognises the entire infrastructure system as one asset, comprising the entire water network regardless of the type of water that the network is managing at the various stages of its cycle.

In respect of system assets constructed by the Economic Entity for its own use, cost includes:
- costs associated with the design of the asset;
- materials used in construction;
- direct labour and an appropriate proportion of overhead costs;
- contractors' services;
- major inspection costs; and
- an estimate, where relevant, of the costs to dismantle, decommission and remove the assets and restore the site on which it is located.

System assets are capitalised as completed assets when each facility, or operating unit within a facility, becomes operational and available for use.

In line with AASB 123 *Borrowing Costs*, the entity capitalises borrowing costs which are directly attributable to the acquisition or construction of a qualifying asset. The interest rate which has been used to capitalise borrowing costs is currently 4.56% (2019: 5.68%).

Fair Value

The Economic Entity values its non current assets in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and NSW Treasury's Accounting Policy TPP14-01 *Valuation of Physical Non-Current Assets at Fair Value*. Non-current assets are valued at fair value using the Income Approach. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at reporting date. Non-operational land and buildings are revalued every three years and at least every five years for other classes of property, plant and equipment.

AASB 13 determines fair value to be an exit price and one that a market participant would pay in an orderly transaction. Assumptions that are included in determining the most appropriate measure of fair value include:
- The principal or most advantageous market in which an orderly transaction would take place for the asset (liability);
- The highest and best use of the asset / (liability); and
- If the asset is used in combination with other assets or on a stand-alone basis.

Note 10. Property, Plant and Equipment continued

For each asset subject to valuation, revaluation increments are credited to the asset revaluation reserve through the Consolidated Statement of Other Comprehensive Income. Where a revaluation decrement or impairment loss reverse a revaluation increment previously credited to the asset revaluation reserve, the revaluation decrement or impairment loss is debited to that reserve. In other cases the decrement or impairment loss is recognised in the Consolidated Income Statement.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Any gain or loss on the disposal of revalued assets is determined as the difference between the carrying value of the asset at the time of disposal and the proceeds from disposal, and is included in the Consolidated Income Statement. It is policy to transfer the amounts included in the revaluation reserve in respect of those assets to retained earnings.

The entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the assets recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount.

Refer to Note 13 for details of fair value assessment and non-current asset disclosures.

Depreciation

Depreciation is calculated using the straight line method on all property, plant and equipment, other than freehold land, at rates calculated to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Land is not a depreciable asset.

It is the Economic Entity's policy to recognise a 'residual value' in respect to assets which can be practically rehabilitated to 'as new' service potential at a cost that is less than the cost of construction of a complete new asset. This reflects the reality of economic decision making. Consequently, a residual value is recognised for example, in respect of gravity sewer mains and some large gravity water mains for which it is economical to implement relining technologies, as well as in respect of civil components of some other assets.

The estimated useful lives for each class of assets are stated below. These lives have been updated so as to reflect the composition of the asset base at balance date.

Class of Fixed Asset	Useful Life (years)
System Assets	
Sewer	
- Sewer mains	80-120
- Sewer Pump Stations	10-50
- Wastewater Treatment Works	10-100
Water	
- Water mains	80-150
- Water Chlorinators	15-100
- Water Pump Stations	10-121
- Water Resources	20-150
- Water Treatment Works	10-100
- Meters	15-20
- Recycled Water	80-150
Stormwater	100-150
General Support	
- Fleet	5-15
- General equipment	3-50
Buildings	25-100

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance date.

Note II. Intangible Assets

Economic Entity	Easements $'000	Software External $'000	Environmental Credits $'000	Other $'000	Work in Progress $'000	Total $'000
At 1 July 2018 - Fair Value						
Cost	2,997	-	-	-	8,597	11,594
Fair value - market approach	-	-	3,491	-	-	3,491
Fair value - income approach	-	5,962	-	4,500	-	10,462
	2,997	**5,962**	**3,491**	**4,500**	**8,597**	**25,547**
At 30 June 2019 - Fair Value						
Cost	3,205	-	-	-	18,979	22,183
Fair value - market approach	-	-	3,102	-	-	3,102
Fair value - income approach	-	4,167	-	3,599	-	7,766
	3,205	**4,167**	**3,102**	**3,599**	**18,979**	**33,051**
At 1 July 2019 - Fair Value						
Cost	3,205	-	-	-	18,979	22,183
Fair value - market approach	-	-	3,102	-	-	3,102
Fair value - income approach	-	4,167	-	3,599	-	7,766
	3,205	**4,167**	**3,102**	**3,599**	**18,979**	**33,051**
At 30 June 2020 - Fair Value						
Cost	3,657	-	-	-	28,133	31,790
Fair value - market approach	-	-	2,996	-	-	2,996
Fair value - income approach	-	5,401	-	4,944	-	10,344
	3,657	**5,401**	**2,996**	**4,944**	**28,133**	**45,130**

Refer to Note 11(A) and (B) for reconciliations in movement of intangible assets.

A. Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the previous financial year are as follows:

Economic Entity 2019	Easements $'000	Software External $'000	Environmental Credits $'000	Other $'000	Total $'000
Net carrying amount 1 July 2018	2,997	5,962	3,491	4,500	16,950
Additions	208	1,812	26	1,001	3,047
Disposals	-	-	-	-	-
Revaluation increments/(decrements)	-	-	(415)	-	(415)
Amortisation expense	-	(3,607)	-	(1,901)	(5,509)
Net carrying amount 30 June 2019	**3,205**	**4,167**	**3,102**	**3,599**	**14,073**

B. Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the current financial year are as follows:

Economic Entity 2020	Easements $'000	Software External $'000	Environmental Credits $'000	Other $'000	Total $'000
Net carrying amount 1 July 2019	3,205	4,167	3,102	3,599	14,073
Additions	452	4,438	-	3,641	8,531
Disposals	-	-	(106)	-	(106)
Revaluation increments/(decrements)	-	-	-	-	-
Amortisation expense	-	(3,204)	-	(2,296)	(5,501)
Net carrying amount 30 June 2020	3,657	5,401	2,996	4,944	16,997

Note I1. Intangible Assets continued

C. Intangible Assets

Intangible assets consist of easements, software, environmental credits and other intangible assets (including some development projects). Research expenditure is recognised as an expense as incurred. Costs incurred on development projects whereby research findings are applied to the development of substantially new or improved products or processes (for example, relating to the design of new improved systems) are capitalised when:

- it is probable that the project will result in future economic benefits;
- the project is technically or commercially feasible;
- its costs can be measured reliably; and
- there are sufficient resources to complete development.

If development costs are capitalised they are recorded as intangible assets and amortised from the point at which benefits are recognised on a straight-line basis over their useful life which is generally five years.

Consistent with NSW Treasury policy, easements (the right of access over land) are recognised as intangible assets and are not amortised. Environmental credits are intangible assets and not amortised as they are deemed to have an indefinite useful life. Software is also classified as an intangible asset and is amortised (generally over five years).

Intangible assets including easements and purchased environmental credits are initially recognised at cost. All other environmental credits are initially recorded at fair value. After initial recognition all intangible assets with the exception of easements and environmental credits are carried at fair value in accordance with AASB 13 *Fair Value Measurement* using the income approach. After initial recognition environmental credits are carried at fair value using the market approach.

Refer to Notes 10 and 13 for details on fair value assessment.
Refer to Notes 10 and 13 for details of fair value non-current asset disclosures.

Note I2. Leases

The Economic Entity leases various property and fleet vehicles. Lease contracts are typically made of fixed periods of five to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a range of contract terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The Economic Entity does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and fleet vehicle leases. These terms are used to maximise operational flexibility in terms of managing contracts. Extension and termination options held are exercisable only by the entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and this is within the control of the lessee.

The Economic Entity has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of $10,000 or less when new. The Economic Entity's short-term and low value leases comprise mainly of fleet vehicles leased on a short-term basis.

Right-of-use assets under leases

	General Support $'000	Buildings $'000	Total $'000
Balance as at 1 July 2019	5,523	34,089	39,611
Additions	2,271	20	2,291
Disposals	(1,587)	-	(1,587)
Depreciation expense	(2,093)	(2,274)	(4,367)
Balance as at 30 June 2020	**4,113**	**31,835**	**35,948**

Note 12. Leases continued

Lease liabilities

The following table presents liabilities under leases

	Notes	Lease liabilities $'000
Balance as at 1 July 2019	-	(39,611)
Additions	-	(2,270)
Interest expense	-	(1,570)
Payments	-	4,830
Disposals	-	1,587
Balance as at 30 June 2020	**16**	**(37,033)**
Represented By:		
Current		(2,997)
Non-current		(34,036)
		(37,033)

The following amounts were recognised in the statement of comprehensive income for the year ending 30 June 2020 in respect of leases where the Entity is the lessee:

	Lease liabilities $'000
Depreciation expense of right-of-use assets	4,367
Interest expense on lease liabilities	1,570
Expense relating to short-term leases	418
Income from subleasing right-of-use assets	(4)
Total amount recognised in the statement of comprehensive income	**6,352**

The Economic Entity had a total cash outflows for leases of $5.8m including GST in 2019-20 financial year.

Operating lease commitments in relation to operating leases not provided for and payable at 30 June 2019:

	Operating Lease $'000
Within one year	5,439
Later than one year not later than five years	16,883
Later than five years	135
	22,458
Representing:	
Cancellable operating leases	6,340
Non-cancellable operating leases	16,118
	22,458

All lease expenditure commitments disclosed above are GST inclusive. GST component of total commitments for the Economic Entity at 30 June 2019 totals $2.0m.

Recognition and measurement (under AASB 16 Leases from 1 July 2019).

The Economic Entity assesses at contract inception whether a contract is or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
The Entity recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

A. Right-of-Use Assets

The Economic Entity recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of the initial measurement of the lease liability (refer B below) and adjusted for any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

Note 12. Leases continued

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

General Support - Fleet Vehicles	3-5 years
Buildings	15 years

If ownership of the leased asset transfers to the Entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

B. Lease Liabilities

At the commencement date of the lease, the Entity recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include:

- Fixed payments (including in substance fixed payments) less any lease incentives receivables; and
- Variable lease payments that depend on an index or a rate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease.

The lessee's incremental borrowing rate is used, being the rate that the Entity would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement of the lease, the amount of the lease liabilities are increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease terms, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in assessment of an option to purchase the underlying asset.

The Economic Entity's lease liabilities are included in borrowings (refer to Note 16).

The effect of adoption of AASB 16 Leases at 1 July 2019

AASB 16 *Leases* supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases - Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases on the balance sheet.

Lessee accounting

AASB 16 requires the Economic Entity to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As a lessee, the Entity recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The Economic Entity has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.94%.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to that lease recognised in the statement of financial position as at 30 June 2019. The exception is right-of-use assets that are subject to accelerated depreciation. These assets are measured at their fair value at 1 July 2019.

Note 12. Leases continued

In applying AASB 16 for the first time, the Entity has used the following practical expedients permitted by the standard:

- not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4;
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- not recognise a lease liability and right-of-use asset for short-term leases that end within 12 months of the date of initial application;
- excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adoption AASB 16 as at 1 July 2019 is as follows:

	$'000
Assets	
Right-of-use assets	39,611
Total assets	**39,611**
Liabilities	
Borrowings	(39,611)
Total liabilities	**(39,611)**
Net assets	**-**

The lease liabilities as at 1 July 2019 can be reconciled to the opening lease commitments as of 30 June 2019, as follows:

	$'000
Operating lease commitments as at 30 June 2019 (GST included)	22,458
(Less): GST included in operating lease commitments	(2,042)
Operating lease commitments as at 30 June 2019 (GST excluded)	**20,416**
Weighted average incremental borrowing rate as at 1 July 2019	3.94%
Discounted operating lease commitments as at 1 July 2019	18,406
(Less): commitments relating to short-term leases	(234)
(Less): commitments relating to leases of low value assets	(6)
Add: lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	21,445
Lease liabilities as at 1 July 2019	**39,611**

Note 13. Fair Value Measurement of Non-Financial Assets

A. Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three approaches to calculating fair value:

- the market approach, where fair value is determined using prices and other relevant information generated by market transactions involving identical or comparable assets or groups of assets;
- the income approach, where fair value is determined by converting future cash flows to a single current (i.e. discounted) amount; and
- the cost approach, where fair value is determined by calculating the current replacement cost of an asset, which represents the amount that would be required currently to replace the service capacity of an asset.

Fair value measurement is classified into three levels of a hierarchy based on the inputs used:

- Quoted prices in active markets (level 1);
- Other observable inputs (level 2); and
- Unobservable inputs (level 3).

Note I3. Fair Value Measurement of Non-Financial Assets continued

Economic Entity 2020	Level 2 $'000	Level 3 $'000	Total Fair Value $'000
System Assets	-	2,539,163	2,539,163
Land and Buildings	19,318	-	19,318
General Support	-	17,600	17,600
Environmental Credits	2,996	-	2,996
Other Intangibles	-	10,344	10,344
	22,314	**2,567,107**	**2,589,420**

Transfers into and out of fair value hierarchy levels are recognised at the end of the reporting period. There were no transfers between level 1 or 2 during the period. For transfers in and out of level 3 measurements see (c) below.

Economic Entity 2019	Level 2 $'000	Level 3 $'000	Total Fair Value $'000
System Assets	-	2,514,787	2,514,787
Land and Buildings	13,793	-	13,793
General Support	-	12,201	12,201
Environmental Credits	3,102	-	3,102
Other Intangibles	-	7,766	7,766
	16,895	**2,534,754**	**2,551,649**

B. Valuation Techniques, Inputs and Processes

Asset Category	Fair Value Approach	Inputs into Fair Value Assessment
System Asset	At initial recognition fair value is based on a cost approach. Income approach adopted based on future cash-flows.	Income approach is adopted by discounting future cash-flows expected to be generated from the use of these assets. No active market exists for these assets. Level 3 input
Land and Buildings (non-operational)	At initial recognition fair value is based on a cost approach. Most recent external expert revaluation based on market conditions in an active market occurred in 2018-19. Hunter Water has assessed these amounts are materially accurate.	Market approach is adopted based on the external expert valuations undertaken in 2018-19 which Hunter Water assesses as being materially accurate. An active property market exists in the regions that land and buildings are held. Valuation based on market prices from observable inputs from comparable assets. Level 2 input
General Support	At initial recognition fair value is based on a cost approach. Income approach adopted based on future cash-flows.	Income approach is adopted by discounting future cash-flows expected to be generated from the use of these assets. Level 3 input
Environmental Credits	At initial recognition fair value is based on a market approach with the exception of purchased environmental credits which are initially recorded at cost. Valuation based on an active market and similar assets (not identical).	Market approach is based on the environmental credit market. An active market exists in the region. Valuation based on market prices from observable inputs from comparable assets. Level 2 input
Other Intangibles	At initial recognition fair value is based on a cost approach. Easements are measured at cost. Income approach adopted based on future cash-flows for all other intangible assets.	Easements are carried at cost. For other intangible assets the income approach is adopted by discounting future cash-flows expected to be generated from the use of these assets. No active market exists for these assets. Level 3 input

Note 13. Fair Value Measurement of Non-Financial Assets continued

C. Reconciliation of Recurring Level 3 Fair Value Measurements

(i) The following table represents the changes in level 3 items for the year ended 30 June 2020 for recurring fair value measurements:

Economic Entity 2020	System Assets $'000	Other Fixed Assets $'000	Other Intangibles $'000	Total Recurring Level 3 Fair Value $'000
Fair Value as at 1 July 2019	2,514,787	12,201	7,766	2,534,754
Additions	107,368	8,782	8,079	124,228
Disposals	(1,000)	(5)	-	(1,005)
Revaluation increments/(decrements)	59,446	-	-	59,446
Impairment increments/(decrements)	(91,480)	-	-	(91,480)
Depreciation/amortisation	(49,809)	(3,379)	(5,501)	(58,688)
Transfers to Level 2	(149)	-	-	(149)
Fair Value at 30 June 2020	**2,539,163**	**17,600**	**10,344**	**2,567,107**

Transfer Between level 2 and 3 Measurements

A transfer from system assets (level 3) to non-system land (level 2) occurred during 2019-20.

(ii) The following table represents the changes in level 3 items for the year ended 30 June 2019 for recurring fair value measurements:

Economic Entity 2019	System Assets $'000	Other Fixed Assets $'000	Other Intangibles $'000	Total Recurring Level 3 Fair Value $'000
Fair Value as at 1 July 2018	2,523,268	11,107	10,462	2,544,837
Additions	93,600	4,828	2,813	101,241
Disposals	(723)	(23)	-	(746)
Revaluation increments/(decrements)	3,819	-	-	3,819
Impairment increments/(decrements)	(56,868)	-	-	(56,868)
Depreciation/amortisation	(48,309)	(3,711)	(5,509)	(57,529)
Fair Value at 30 June 2019	**2,514,787**	**12,201**	**7,766**	**2,534,754**

Transfer Between Level 2 and 3 Measurements

There were no transfers between level 2 and level 3 measurements during 2018-19.

Note I3. Fair Value Measurement of Non-Financial Assets continued

D. Measurement of Fair Value

The following tables summarise the quantitative information about the significant unobservable inputs in recurring level 3 fair value measurements.

Description	Fair Value at 30 June 2020 $'000
System Assets	2,539,163
Other Fixed Assets	17,600
Intangibles	10,344

System Assets - Unobservable Input item	30 June 2020 Calculation of Fair Value	Relationship of Unobservable Inputs to Fair Value
Time Period	Forecast cash flows for a five year period with the Regulated Asset Base (RAB) as the terminal value in year five.	The terminal value reflects the ability of the CGU to operate into perpetuity.
Real Discount Rate	Post-tax real discount rate: 2.6% (2019: 3.1%)	The higher the discount rate, the lower the fair value.
Estimates of Future Revenues	Estimates of future revenue streams have been based on the Final Price Determination (2020-24) issued by IPART in June 2020. This calculates annual revenue requirements based on IPART's building block methodology, which includes: • Full cost recovery on estimated operating expenditure relating to infrastructure assets; • A return on RAB which includes all capital expenditure to ensure that the maximum allowable revenue can be derived; and • A weighted average cost of capital return of 3.4% for the period 2020-21 to 2024-25 (consistent with the Price Determination).	The higher the discounted future revenues, the higher the fair value.
Estimates of Future Expenditure	Operating expenditure from the Final Price Determination (2020-24).	Changes in expenditure have little effect on asset values as it has been assumed that future expenditure will be recovered in future IPART pricing determinations.
	All capital expenditure as per the Final Price Determination (2020-24).	Changes in capital expenditure have little impact on asset values as the increase capital outflows is offset by an increase in revenue ('return on' and 'return of' capital building block allowances) and a higher RAB terminal value.

i) Hunter Water adopts the income approach to determine the fair value of its property, plant and equipment under AASB13 (*Fair Value Measurement*). The income approach is a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the asset. This approach is used as there is no active market in which Hunter Water's asset base could be readily valued against. The fair value has been estimated using a 5 year discounted cash flow (DCF) analysis, with the RAB as the terminal value in year five. Significant assumptions underpinning the modelling process have been based on the Final Price Determination (2020-2024) issued by IPART in June 2020. Estimates of future cash-flows have been discounted to present value at a real post-tax discount rate of 2.6%. For 30 June 2020 fair value estimates and assumptions have also taken into consideration the current economic environment and market volatility to the COVID-19 pandemic.

Hunter Water's Cash Generating Unit (CGU) includes all assets with the exception of non-operational land, non-operational buildings, right-of-use assets and environmental credits, which are valued separately. Each asset in the main CGU is reliant on the other to generate cash inflows for Hunter Water.

Outcomes from Hunter Water's fair value model are sensitive to variations in the forecast expenditure and expected rate of return and as such, revaluation outcomes can vary. In 2019-20 Hunter Water's fair value model calculated a valuation decrement of $91.5m (2019: $57m decrement) being the difference between the written down value of the entity's fixed assets and the present value of cash flows. This adjustment was made to the asset carrying amounts.

Note 13. Fair Value Measurement of Non-Financial Assets continued

Sensitivity analysis was undertaken on two key components within the valuation model being the pricing weighted average cost of capital return (WACC) and the discount rate. The results of this analysis with all other inputs remaining unchanged is summarised below. After assessment of the sensitivity analysis it was determined that if these movements did occur there would be no material impact on the Income Statement.

	Change in Valuation	
	2020 $m	2019 $m
Revenue cashflows (30 basis point increase change in WACC)	42	22
Discount rate (30 basis point increase change)	(83)	(40)
	(41)	**(18)**

ii) There is not an open market for the sale of infrastructure assets owned by the Economic Entity. It is not envisaged that there will be significant variation in the assumptions noted above.

Note 14. Trade and Other Payables

	Notes	Economic Entity	
		2020 $'000	2019 $'000
Current			
Trade creditors		15,048	13,209
Deposits received for services		10,748	15,557
Accrued expenses		83,526	70,440
		109,322	**99,206**

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year which are unpaid. Payables are recognised at cost, which is considered to approximate amortised cost due to the short-term nature of payables. They are not discounted as the effects of discounting is not material.
Trade accounts payable are normally settled according to terms (usually within 30 days).

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 29.

Note 15. Current Tax Liabilities

	Notes	Economic Entity	
		2020 $'000	2019 $'000
Provision for Income Tax Payable			
Opening Balance		1,395	3,916
Under/(over) provision for income tax in prior year		(17)	(844)
Amount paid relating to prior year		(1,378)	(3,072)
Amount payable for current year	5	21,274	26,499
Amount paid relating to current year		(24,436)	(25,104)
		(3,162)	1,395

Current tax balances attributable to amounts recognised in other comprehensive income or directly in equity, are similarly recognised in other comprehensive income or directly in equity.

Note 16. Borrowings

	Notes	Economic Entity 2020 $'000	2019 $'000
Overdraft		9,000	9,354
Other loans		1,408,497	1,183,809
Lease liability	12	37,033	-
		1,454,530	1,193,163
Represented By:			
Current		169,881	209,676
Non-current		1,284,649	983,487
		1,454,530	1,193,163

Hunter Water borrows through NSW Treasury Corporation (TCorp) in the form of liquid and marketable TCorp stocks. As part of its debt management activities, NSW TCorp act as the Debt Liability Advisor for Hunter Water's debt portfolio.

Borrowings are classified as current when they are due to be settled within 12 months from reporting date.

Hunter Water has an overdraft facility with NSW TCorp of $30m (2019: $30m) of which $9.0m was used at 30 June 2020 (2019: $9.35m).

Hunter Water has a contingent loan facility with Commonwealth Bank of Australia of $0.1m which was not drawn down at 30 June 2020 and a purchase card facility with National Australia Bank of $1.0m at 30 June 2020. The borrowings are classified as non-trading liabilities and are unsecured.

The Treasurer approved funding of up to $1,600m with NSW TCorp for the three year period until 30 June 2021 (2019: $1,600m), of which $1,408m was used at 30 June 2020 (2019: $1,184m).

Details regarding market risk, liquidity risk and credit risk from financial instruments are disclosed in Note 29.

Borrowings classified as financial liabilities are measured initially at cost, being the fair value of consideration received less any transaction costs associated with the borrowing. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method.

All borrowings are held at fair value.

Finance lease liabilities are determined in accordance with AASB 117 *Leases* until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16 *Leases*. Lease liabilities are disclosed as borrowings at balance date.

Note 17. Provisions

	Notes	Economic Entity 2020 $'000	2019 $'000
Current			
Dividends	6	32,900	144,370
Restoration		-	367
Other		2,218	31
Employee benefits - short term		1,064	723
Employee benefits - long term*		18,354	16,942
		54,537	**162,433**
Non-Current			
Employee benefits		80,206	88,128
Other		-	47
		80,206	**88,174**
*Employee benefits expected to be settled after 12 months		12,144	10,758

(a) Movements in Dividends Provision 2020	Economic Entity Current
Carrying amount 1 July 2019	**144,370**
Less: dividend paid	(144,370)
Add: dividend declared	32,900
Carrying amount at 30 June 2020	**32,900**

(b) Movements in Restoration Provision 2020	Economic Entity Current
Carrying amount 1 July 2019	**367**
Additional provisions recognised	(367)
Carrying amount at 30 June 2020	**-**

(c) Movements in Other Provisions 2020	Economic Entity Non Current
Carrying amount 1 July 2019	**31**
Additional provisions recognised	3,255
Amount used	(1,068)
Carrying amount at 30 June 2020	**2,218**

(d) Movements in Other Non Current Provisions 2020	Economic Entity Non Current
Carrying amount 1 July 2019	**47**
Additional provisions recognised	(47)
Carrying amount at 30 June 2020	**-**

A. Dividends

Provision is made for any dividend declared, being authorised via the Economic Entity's Statement of Corporate Intent and confirmed by the shareholder, on or before the end of the financial year but not distributed at balance date.

B. Restoration Provisions

Restoration and other provisions exist when: the entity has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

At 30 June 2018, a provision of $4.0m was recognised for the restoration costs at Stockton Beach. The provision related to an exposed landfill incident which occurred during the financial year 2018. The Economic Entity has undertaken all works to restore the site.

Note 17. Provisions continued

C. Other Provisions

Other provisions relate to customer refunds from charges made in error for Environmental Improvement and Stormwater Drainage charges from 2006 and also provision for developer delivered infrastructure.

The provision for customer refunds has been estimated based on historical information and management assessment of probable outcomes. The total provision recognised for these potential customer refunds is $0.04m (2019: $0.08m). The provision relates to customers that no longer reside at the property. The charges were made in error and all reasonable efforts will be made to refund these amounts.

The provision for developer delivered infrastructure exists where the Economic Entity has a present obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The provision relates to Hunter Water's investment in regional assets to support urban development in key growth assets. The provision exists for amounts which are to be repaid to developers once certain contract criteria are met. The total provision at 30 June 2020 is $2.2m (2019: $nil).

D. Employee Benefits

Short-Term Obligations

(i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities for salaries and wages (including non-monetary benefits) and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts of the benefits.

The provision for sick leave represents 50% of the value of untaken leave accrued by wages employees prior to 15 February 1993.

The outstanding amounts of payroll tax, workers compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

Annual leave that is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service is measured at present value in accordance with AASB 119 *Employee Benefits*. Actuarial advice obtained by NSW Treasury has confirmed the use of a nominal approach for the annual leave on annual leave liability. In accordance with NSWTC 18-13 *Accounting for Long Service Leave* and Annual Leave a factor of 7.9% of the nominal value of annual leave has been used to calculate the present value of the annual leave liability. Hunter Water has assessed that there is no material difference in the nominal approach plus the 7.9% factor compared to a discounted rate to determine the net present value of this leave liability. The discount rate used in this assessment was 2.5% (2019: 2.5%).

Other Long-Term Employee Benefit Obligations

(ii) Long Service Leave

The liability for long service leave is recognised as an employee benefit and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary and wage levels, trends of employee departures and periods of service. Non current expected future payments are discounted using the applicable high quality corporate bond rate.

(iii) Termination Benefits

Termination benefits are employee benefits payable as a result of an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.

A liability and expense for redundancy benefits are recognised when there is a demonstrated commitment to provide termination benefits to affected employees. This is usually when specific employees affected by restructures have elected to take redundancy termination benefits as at the reporting date. Earlier recognition via a general provision is only recognised when a detailed formal plan has been approved and communicated to employees and unions.

The liability for redundancy benefits for specific employees that have accepted redundancy is measured at the calculated entitlement that will be paid to those employees. This is usually in the following reporting period and thus is not discounted. For a general provision, an estimate is calculated on the basis of the number of employees expected to accept an offer of redundancy in accordance with the formal detailed plan. The liability is only discounted if termination benefits are to fall due more than 12 months after the reporting date.

Note 17. Provisions continued

(iv) Retirement Benefit Obligations

Employees of the entities within the Economic Entity are members of either defined benefit superannuation funds or defined contribution superannuation funds.

Defined Contribution Superannuation Schemes

The Economic Entity contributes to the defined contribution superannuation schemes. Contributions to these schemes are recognised in the profit or loss as incurred. The liability recognised at the reporting date represents the contributions to be paid in the following month that relate to the period up to reporting date.

Defined Benefit Superannuation Schemes

The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary. The Economic Entity contributes to three defined benefit superannuation schemes in the NSW public sector Pooled Fund. These are: State Superannuation Scheme (SSS), State Authorities Superannuation Scheme (SASS) and State Authorities Non-contributory Superannuation Scheme (SANCS).

The Economic Entity's net obligation in respect of these schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods. That benefit is discounted to determine its present value and the fair value of any scheme assets is deducted.

Where the present value of the defined benefit obligation in respect of a scheme exceeds the fair value of the scheme's assets, a liability for the difference is recognised in the Statement of Financial Position. Where the fair value of a scheme's assets exceeds the present value of the scheme's defined benefit obligation, an asset is recognised in the Statement of Financial Position.

Refer to Note 23 for more details of Hunter Water's defined benefit superannuation schemes.

Note 18. Deferred Tax Liabilities

	Notes	Economic Entity 2020 $'000	2019 $'000
Stock on hand		1,055	931
Accruals		(327)	(405)
Borrowing costs		3,466	2,258
Provisions		(30,707)	(32,749)
Prepayments		248	239
Property, plant and equipment		127,643	137,995
Right of use assets		(332)	-
		101,047	**108,270**

Economic Entity	Opening balance at 1 July 2019	Prior year (Under)/over provision	To profit or loss	Directly to equity	Closing balance at 30 June 2020
Movements					
Stock on Hand	931	-	123	-	1,055
Accruals	(405)	-	79	-	(327)
Borrowing costs	2,258	-	1,208	-	3,466
Provisions (including doubtful debts)	(32,748)	-	(556)	2,598	(30,707)
Prepayments	239	-	9	-	248
Property, plant and equipment	137,995	(1,947)	(432)	(7,974)	127,643
Right of use assets	-	-	(332)	-	**(332)**
	108,270	**(1,947)**	**99**	**(5,376)**	**101,047**

Note 18. Deferred Tax Liabilities continued

Economic Entity	Opening balance at 1 July 2018	Prior year (Under)/over provision	To profit or loss	Directly to equity	Closing balance at 30 June 2019
Movements					
Stock on Hand	931	-	-	-	931
Accruals	406	(812)	1	-	(405)
Borrowing costs	1,344	-	914	-	2,258
Provisions (including doubtful debts)	(28,939)	(4,219)	1,922	(1,511)	(32,748)
Prepayments	227	-	12	-	239
Property, plant and equipment	154,028	(193)	(440)	(15,400)	137,995
	127,997	**(5,225)**	**2,409**	**(16,911)**	**108,270**

The deferred tax liability that is expected to be settled within the next twelve months for the Economic Entity is $0.1m (2019: $2.4m deferred tax asset).

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the tax rate enacted at the reporting date adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or the liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. The current tax rate is 30% and this is used to calculate the deferred tax amounts.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity, are similarly recognised in other comprehensive income or directly in equity.

Note 19. Share Capital

	Notes	Economic Entity 2020 $'000	2019 $'000
At 1 July: ordinary shares each fully paid		116,539	116,539
Shares fully paid and issued during year		-	-
At 30 June: ordinary shares each fully paid		**116,539**	**116,539**

Hunter Water Corporation's two shareholders at 30 June 2020 were:
- The Minister for Finance and Small Business; and
- The Treasurer.

Each shareholder holds their shares non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from Hunter Water Corporation, the amount of which is determined as part of the annual process of negotiating and agreeing the entity's Statement of Corporate Intent with the shareholders. Shares issued and fully paid at 30 June 2020 total 116,539,000 (2019: 116,539,000).

Note 20. Reserves and Retained Earnings

	Economic Entity 2020 $'000	Economic Entity 2019 $'000
A. Reserves		
Asset revaluation	327,320	352,451
	327,320	**352,451**

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets and assets held for sale. Refer to Note 10.

Movement in Reserves		
Asset revaluation		
Balance at beginning of year	**352,451**	**388,428**
Asset revaluation increments/(decrements) from revaluations		
System assets	(32,034)	(56,893)
Buildings	(9)	229
Land	-	5,309
Environmental Credits	-	23
Total revaluation increments/(decrements)	**(32,043)**	**(51,332)**
Transfer of reserve on disposal	(1,062)	(64)
Total transfers from revaluation reserve	(1,062)	(64)
Total revaluation reserve decrement	**(33,105)**	**(51,396)**
Tax effect - deferred tax liability on revaluation reserve	7,974	15,419
Total tax effect on revaluation reserve	**7,974**	**15,419**
Closing Balance at 30 June 2020	**327,320**	**352,451**

B. Retained Earnings

Retained earnings at 1 July 2019	**672,224**	**763,684**
Net profit	51,784	73,006
Transfer from revaluation reserve to retained earnings	1,062	64
Net income/(loss) recognised direct in equity	6,063	(20,161)
Dividends	(32,900)	(144,370)
Retained earnings at 30 June 2020	**698,232**	**672,224**

Note 21. Statement of Cash Flows - Operating Activities

	Notes	Economic Entity 2020 $'000	2019 $'000
Reconciliation of profit after income tax to the net cash flows from operating activities:			
Net profit for the year from operations		51,784	73,006
Net superannuation (income)/expense	4	2,532	2,675
Revaluation (increment)/decrement	4	44	451
Depreciation and amortisation	4	64,314	58,063
Amortisation of deferred discounts on loans (non-cash)	4	15,072	-
(Profit)/loss on sale of non-current assets		1,960	927
Capital asset (non-cash) contributions	2	(29,887)	(32,402)
Change in operating assets and liabilities:			
(Increase)/decrease in trade debtors		11,015	(7,349)
(Increase)/decrease in inventories		(455)	41
(Increase)/decrease in other operating assets		37	(495)
Increase/(decrease) in trade creditors		7,583	3,233
Increase/(decrease) in other operating liabilities		(1,642)	16,755
Increase/(decrease) in provision for income taxes payable		(4,558)	(610)
Increase/(decrease) in net deferred tax liabilities (recognised on the Income Statement)		(1,848)	(4,308)
(Increase)/decrease in capitalised borrowing costs		(5,831)	(3,661)
Increase/(decrease) in other provisions		(39)	(10,358)
Net cash inflow from operating activities		**110,080**	**95,967**

Note 22. Contractual Commitments

	Notes	Economic Entity 2020 $'000	2019 $'000
Aggregate capital expenditure contracted for at balance date but not recognised as liabilities:			
Payable within one year		100,294	43,247
Payable later than one year but not later than five years		19,736	26,105
Payable later than five years		1,167	677
		121,197	**70,029**

GST component of total contractual commitments for the Economic Entity at 30 June 2020 totals $11.0m (2019: $6.4m).

Note 23. Superannuation

A. Superannuation Plan

All employees are entitled to benefits on retirement, disability or death. The defined benefit superannuation schemes are administered by Pillar Administration and provide defined benefits based on years of membership and final average salary. All funds are invested at arm's length through independent fund managers. Employees contribute to the plans at various percentages of their wages and salaries. The Economic Entity also contributes to these schemes.

The Economic Entity contributes to the following defined benefit superannuation schemes which are held in trust within the NSW public sector Pooled Fund. These defined benefit schemes are:

- State Authorities Superannuation Scheme (SASS);
- State Superannuation Scheme (SSS); and
- State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes with at least a component of the final benefit being derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All of these schemes are now closed to new members.

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Act 1987*, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS).* The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2018. The next actuarial investigation will be performed at 30 June 2021.

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the Fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- Investment risk - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall;
- Longevity risk - The risk that pensioners live longer than assumed, increasing future pensions;
- Pension indexation risk - The risk that pensions will increase at a rate greater than assumed, increasing future pensions;
- Salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions; and
- Legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

During the year ended 30 June 2020 there were no fund curtailments or settlements. At the request of Hunter Water a review of the defined benefit superannuation liability funding was performed during the year. As a result of the review defined benefit annual contribution amounts were reduced to $1.5m per annum.

Note 23. Superannuation continued

B. Reconciliation of the Net Defined Benefit Liability/(Asset)

Economic Entity at 30 June 2020	SASS $'000	SANCS $'000	SSS $'000	Total $'000 2020	Total $'000 2019
Net Defined Benefit Liability/(Asset) at beginning of the year	**24,011**	**3,574**	**59,650**	**87,236**	**67,017**
Current service cost	459	180	193	832	899
Net Interest on the net defined benefit liability/(asset)	685	92	1,755	2,532	2,675
Actual return on Fund assets less Interest income	201	11	647	858	(5,042)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-	(25)
Actuarial (gains)/losses arising from changes in financial assumptions	(701)	26	(7,353)	(8,028)	26,570
Actuarial (gains)/losses arising from liability experience	(373)	(145)	(973)	(1,491)	883
Employer contributions	(1,554)	(931)	(323)	(2,807)	(5,741)
Net Defined Benefit Liability/(Asset) at end of the year	**22,729**	**2,807**	**53,596**	**79,132**	**87,236**

C. Reconciliation of the Fair Value of Fund Assets

Economic Entity at 30 June 2020	SASS $'000	SANCS $'000	SSS $'000	Total $'000 2020	Total $'000 2019
Fair value of Fund assets at beginning of the year	**31,396**	**1,940**	**101,698**	**135,034**	**128,797**
Interest income	899	58	2,898	3,854	5,234
Actual return on Fund assets less Interest income	(201)	(11)	(647)	(858)	5,042
Employer contributions	1,554	931	323	2,807	5,741
Contributions by participants	318	-	199	517	543
Benefits paid	(2,975)	(408)	(7,810)	(11,192)	(10,271)
Taxes, premiums and expenses paid	(592)	(212)	153	(650)	(52)
Fair value of Fund assets at end of the year	**30,400**	**2,298**	**96,813**	**129,511**	**135,034**

D. Reconciliation of the Defined Benefit Obligation

Economic Entity at 30 June 2020	SASS $'000	SANCS $'000	SSS $'000	Total $'000 2020	Total $'000 2019
Present value of defined benefit obligations at beginning of the year	**55,407**	**5,514**	**161,349**	**222,270**	**195,814**
Current service cost	459	180	193	832	899
Interest cost	1,584	149	4,652	6,386	7,909
Contributions by participants	318	-	199	517	543
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-	(25)
Actuarial (gains)/losses arising from changes in financial assumptions	(701)	26	(7,353)	(8,028)	26,570
Actuarial (gains)/losses arising from liability experience	(373)	(145)	(973)	(1,491)	883
Benefits paid	(2,975)	(408)	(7,810)	(11,192)	(10,271)
Taxes, premiums and expenses paid	(592)	(212)	153	(650)	(52)
Present value of defined benefit obligations at end of the year	**53,129**	**5,105**	**150,409**	**208,643**	**222,270**

E. Reconciliation of the Effect of the Asset Ceiling

Economic Entity at 30 June 2020	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Adjustment for effect of asset ceiling at beginning of the year	**-**	**-**	**-**	**-**
Interest on the effect of asset ceiling	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-
Adjustment for effect of asset ceiling at end of the year	**-**	**-**	**-**	**-**

Note 23. Superannuation continued

F. Fair Value of Fund Assets

All Pooled Fund assets are invested by SAS Trustee Corporation (STC) at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

Asset Category	Total (A$'000)	Level 1 (A$'000)	Level 2 (A$'000)	Level 3 (A$'000)
Short Term Securities	4,096	1,890	2,207	-
Australian Fixed Interest	1,066	-	1,066	-
International Fixed Interest	1,909	30	1,879	-
Australian Equities	7,294	6,902	392	-
International Equities	11,950	11,487	463	-
Property	3,352	645	16	2,691
Alternatives	10,523	23	4,337	6,162
Total	**40,192**	**20,977**	**10,361**	**8,854**

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

The percentage invested in each asset class at the reporting date is:

As at	30 June 2020
Short Term Securities	10.2%
Australian Fixed Interest	2.7%
International Fixed Interest	4.8%
Australian Equities	18.1%
International Equities	29.7%
Property	8.3%
Alternatives	26.2%
Total	**100.0%**

G. Fair Value of Fund Assets

All fund assets are invested by SAS Trustee Corporation at arm's length through independent fund managers.

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets as at 30 June 2020 include $36.9m (2019: $99.5m) in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of $340 million (30 June 2019: $316 million).

Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of $343 million (30 June 2019: $331 million).

Note 23. Superannuation continued

H. Significant Actuarial Assumptions at the Reporting Date

As at	30 June 2020
Discount rate	2.97%
Salary increase rate (excluding promotional increases)	3.2% pa
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

Sensitivity Analysis

The entity's total defined benefit obligation as at 30 June 2020 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2020.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A -0.5% Discount Rate	Scenario B +0.5% Discount Rate
Discount rate	as above	as above -0.5% pa	as above +0.5% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	208,643	222,151	196,388

	Base Case	Scenario C +0.5% rate of CPI Increase	Scenario D -0.5% rate of CPI Increase
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above +0.5% pa	as above -0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (A$'000)	208,643	221,213	197,132

	Base Case	Scenario E +0.5% Salary Increase Rate	Scenario F -0.5% Salary Increase Rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above +0.5% pa	as above -0.5% pa
Defined benefit obligation (A$'000)	208,643	209,722	207,600

	Base Case	Scenario G Lower Mortality[1]	Scenario H Higher Mortality[2]
Defined benefit obligation (A$'000)	208,643	211,678	206,635

[1] Assumes the short term pensioner mortality improvement factors for years 2020-2023 also apply for years after 2023.
[2] Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for the years 2020 to 2023.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

Note 23. Superannuation continued

Scenarios I to L are disclosed in light of the current environment due to COVID-19, there is increased volatility in terms of expected outcomes especially in the short to medium term. Information on sensitivities under AASB 119 Employee Benefits (AASB 119) paragraph 145 provides the required disclosure requirements and a guide to how this could affect the defined benefit obligation. The sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of changes in these assumptions.

30 June 2020	Base Case	Scenario I -0.5% discount rate	Scenario J +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities	7.0% pa	6.5% pa	7.5% pa
Expected rate of return on Fund assets backing other liabilities	6.0% pa	5.5% pa	6.5% pa
Rate of CPI Increase	2.0% pa	as base case	as base case
Salary inflation rate	3.2% pa	as base case	as base case
Accrued Benefits (A$'000)	136,265	141,698	131,234

30 June 2019	Base Case	Scenario K -0.5% discount rate	Scenario L +0.5% discount rate
Expected rate of return on Fund assets backing current pension liabilities	7.4% pa	6.9% pa	7.9% pa
Expected rate of return on Fund assets backing other liabilities	6.4% pa	5.9% pa	6.9% pa
Rate of CPI Increase	2.2% pa	as base case	as base case
Salary inflation rate	3.2% pa	as base case	as base case
Accrued Benefits (A$'000)	136,105	141,514	131,117

I. Funding Arrangements

Employer contributions to the defined benefit section of the plan are based on the recommendations of the plan's actuary. The last triennial update used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken at 30 June 2018.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding Method. The method adopted affects the timing of the cost to the employer. Under the aggregate funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payment to existing members, taking into account the current value of assets and future contributions.

The economic assumptions used by the actuary to make the funding recommendation were:

- Expected rate of return on fund assets backing current pension liabilities of 7.0% pa (2019: 7.4% pa)
- Expected rate of return on fund assets backing other liabilities of 6.0% pa (2019: 6.4% pa)
- Expected salary increase rate of 3.2% pa (2019: 3.2% pa)
- Expected rate of CPI increase of 2.0% pa (2019: 2.2% pa).

Expected Contributions

	SASS $'000	SANCS $'000	SSS $'000
Expected employer contributions for the Economic Entity	779	745	-

Contribution rates are set after discussions between the employer, SAS Trustee Corporation and NSW Treasury.

Maturity Profile of Defined Benefit Obligation

The weighted average duration of the defined benefit obligation for the Economic Entity is 12.6 years (2019: 12.3 years).

In accordance with AASB 1056 *Superannuation Entities*, the plan's net financial position is determined as the difference between the present value of the accrued benefits and the market value of plan assets. This has been determined as at 30 June 2020 and a deficit of $6.8m (2019: $1.1m) was reported for the Economic Entity.

Note 23. Superannuation continued

Economic Entity	SASS $'000	SANCS $'000	SSS $'000
2020			
Accrued benefits	38,922	4,032	93,311
Net market value of fund assets	(30,400)	(2,298)	(96,813)
Net (surplus)/deficit	**8,522**	**1,734**	**(3,502)**
2019			
Accrued benefits	38,891	4,199	93,016
Net market value of fund assets	(31,396)	(1,940)	(101,698)
Net (surplus)/deficit	**7,495**	**2,259**	**(8,683)**

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

J. Profit or Loss and Other Comprehensive Income Impact

Economic Entity Profit or Loss Impact	SASS $'000	SANCS $'000	SSS $'000	Total $'000 2020	Total $'000 2019
Current service cost	**459**	**180**	**193**	**832**	**899**
Net interest	685	92	1,755	2,532	2,675
Past service cost	-	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-	-
Profit or loss component of the Defined Benefit Cost	**1,145**	**272**	**1,948**	**3,364**	**3,574**

Other Comprehensive Income	SASS $'000	SANCS $'000	SSS $'000	Total $'000 2020	Total $'000 2019
Actuarial (gains) losses on liabilities	(1,074)	(119)	(8,327)	(9,519)	27,428
Actual return on Fund assets less Interest income	201	11	647	858	(5,042)
Change in the effect of asset ceiling	-	-	-	-	-
Total remeasurement in Other Comprehensive Income	**(873)**	**(108)**	**(7,680)**	**(8,661)**	**22,386**

Note 24. Consultancies

The total amount paid or payable to consultants engaged by Hunter Water during the reporting period was $4.3m (2019: $4.1m).

Note 25. Contingent Liabilities

The Economic Entity does not have any contingent liabilities at balance date (2019: $0.5m).
No significant claims for damages are being negotiated in 2020 (2019: nil). This does not include matters covered by insurance.

Note 26. Auditors' Remuneration

	Notes	Economic Entity 2020 $'000	2019 $'000
Audit Office of New South Wales			
Audit of financial statements		236	235
Other audit fees		18	-
		254	235

Note 27. Related Party Disclosures

Transactions between related parties are conducted using commercial conditions no more favourable than those available to other parties unless otherwise stated.

A. The Following Related Party Transactions Occurred During the Financial Year

Entity	Economic Entity 2020 $'000	2019 $'000
Purchases		
Services Received		
- Peoplefusion Pty Ltd	1,219	1,057
- Learning Emergence / JEARNI	150	136
- Department of Planning, Industry and Environment (DPIE)*	1,473	-
- Ampcontrol Pty Ltd	57	-
Goods Received		
- Ampcontrol Pty Ltd	56	-
Outstanding balances with Related Parties		
Payables		
- Peoplefusion Pty Ltd	70	62
- Department of Planning, Industry and Environment (DPIE)*	100	

*Transactions with the Department of Planning, Industry and Environment (DPIE) corresponds with the secondment of Dr Jim Bentley to DPIE during the financial year. All services provided to Hunter Water by DPIE were under normal commercial terms and conditions.

The Economic Entity also transacted with NSW Treasury Corporation under normal commercial terms.

Transactions with related parties of Directors and Senior Management were made under normal commercial terms and conditions no more favourable than those available to other parties and in accordance with the principles of good governance.

B. Key Management Personnel

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

Compensation is shown in E. for the Directors and the senior executive managers only. The NSW Legislature pays the Ministers their compensation and this is not reimbursable from the Corporation.

Note 27. Related Party Disclosures continued

C. Directors and Any Director Related Entities

The Directors of Hunter Water Corporation during the financial year were:

Mr Terry Lawler AO	Chairman
Mr Darren Cleary	Managing Director (from 29 April 2020)
Mr Peter Dalglish	(retired on 7 September 2019)
Ms Ruth Lavery	(retired on 30 August 2020)
Mr Grahame Clarke	
Ms Christine Feldmanis	
Ms Michelle Vanzella	
Dr Rod Harrison (Honoris Causa)	
Ms Jayne Drinkwater	
Dr Jim Bentley	(to 27 February 2020)
Mr Darren Cleary	Acting Chief Executive Officer (from 1 July 2019 to 21 July 2019 / from 2 March 2020 to 28 April 2020)
Mr Graham Wood	Acting Chief Executive Officer (from 22 July 2019 to 28 February 2020)

Dr Jim Bentley (former Managing Director) was seconded to the Department of Planning, Industry and Environment (DPIE) as the Chief Executive Officer, Water on 1 July 2019 and remained a Director until 27 February 2020, and ceased employment with Hunter Water on 18 March 2020.

Mr Eric de Rooy was appointed as a Director on 25 August 2020 and Mr Geoff Crowe was appointed as a Director on 31 August 2020.

D. Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, during the financial year:

Mr Darren Cleary	Managing Director (from 29 April 2020)
Mr Graham Wood	Acting Chief Executive Officer (from 22 July 2019 to 28 February 2020)
Mr Darren Cleary	Acting Chief Executive Officer (from 1 July to 21 July 2019 / from 2 March to 28 April 2020)
Mr Darren Cleary	Chief Investment Officer (From 22 July 2019 to 1 March 2020)
Mr Victor Prasad	Executive Manager Customer Strategy and Retail
Ms Laura Hails	General Counsel and Company Secretary
Mr Richard Harris	Chief Information and Technology Officer (to 23 July 2020)
Ms Jennifer Hayes	Chief Financial Officer
Mr Clint Thomson	Executive Manager Service Delivery for Customers / Executive Lead COVID-19 Response
Mr Ian Pike	Head of People and Culture (from 19 December 2019)*
Mr Glen Robinson	Acting Executive Manager Service Delivery for Customers (from 8 May 2020)

* In prior years this position was reported as a Group Manager, with role appointed to the Executive Management Team on 19 December 2019.

Mr Stuart Horvath filled the role of Acting Chief Investment Officer during the financial year. Mr Richard Harris ceased his role as Chief Information and Technology Officer with Hunter Water on 23 July 2020. Ms Jenny Francis was appointed Acting Chief Information and Technology Officer from 28 July 2020.

Note 27. Related Party Disclosures continued

E. Key Management Personnel Compensation

	Economic Entity	
	2020 $'000	2019 $'000
Short term employee benefits	2,606	2,466
Termination payments	-	156
Long term employee benefits	20	-
Post employment benefits	249	214
	2,875	**2,836**

During the year Hunter Water incurred $0.24m (2019: $0.03m) in key management personnel services paid to an external service provider in addition to amounts disclosed above.

Note 28. Segment Information

The Economic Entity operates in the water industry as one business segment in the provision of water and water-related services to its customers in Australia. It operates predominantly in the one geographical segment of NSW in Australia.

Note 29. Financial Instruments

The Economic Entity is exposed to different types of risk as a result of the financial instruments (financial assets and liabilities) that it holds. These risks are managed through Board approved policies and procedures (as outlined below), review of monthly reports from NSW Treasury Corporation (NSW TCorp), regular internal audits, setting of benchmarks to facilitate performance evaluation and other internal reporting and control mechanisms.

Price risk is the potential for the decline in the price of an asset or security relative to the rest of the market. Exposure to other price risk primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than operational purposes. The Economic Entity did not hold any investments with NSW TCorp Investment Facilities during the financial year.

Cash investments are held by Hunter Water at fair value - refer to Note 13 for details on fair value approaches and the fair value hierarchy. All borrowings are held at fair value - refer to Note 16 for details.

Financial Instrument categories:

Financial Assets	Note	Category
Cash and cash equivalents	7	Financial assets
Trade and other receivables	8	Loans and receivables at amortised cost
Financial Liabilities	**Note**	**Category**
Borrowings and lease liabilities	16	Financial liabilities measured at amortised cost
Trade and other payables	14	Financial liabilities measured at amortised cost

Treasury operations are not one of the core functions of the Economic Entity and due to the high level of expertise required to effectively manage financial liabilities the Economic Entity is provided assistance with treasury management functions via an external specialist (currently NSW TCorp). NSW TCorp act as an advisor to the Economic Entity and provide assistance in the management of the Economic Entity's debt portfolio.
An analysis of the various risks is outlined below:

A. Market Risk

(i) Interest Rate Risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities. The Economic Entity's debt portfolio is all held at fixed interest rates, with the exception of a small amount of CPI linked debt. The $30m overdraft facility held with NSW TCorp has a floating rate.

Note 29. Financial Instruments continued

The weighted average interest rates are shown below:

Economic Entity 2020	Weighted Average Effective Interest Rate	Floating Interest Rate $'000	Fixed Interest Rate $'000	Non Interest Bearing $'000	Total $'000
Financial Assets					
Cash and cash equivalents	0.24%	5,801	-	8	5,809
Trade and other receivables	4.25%	-	10,207	23,512	33,718
		5,801	10,207	23,520	39,527
Financial Liabilities					
Borrowings	1.83%	9,000	1,408,497	-	1,417,497
Lease Liabilities	4.10%	-	37,033	-	37,033
Trade and other payables	n/a	-	-	98,942	98,942
		9,000	1,445,530	98,942	1,553,472

The comparative information with regard to the 2019 year is as follows:

Economic Entity 2019	Weighted Average Effective Interest Rate	Floating Interest Rate $'000	Fixed Interest Rate $'000	Non Interest Bearing $'000	Total $'000
Financial Assets					
Cash and cash equivalents	1.00%	4,958	-	8	4,966
Trade and other receivables	5.25%	-	12,013	32,426	44,439
		4,958	12,013	32,434	49,405
Financial Liabilities					
Borrowings	2.47%	9,354	1,183,809	-	1,193,163
Trade and other payables	n/a	-	-	89,989	89,989
		-	1,193,163	89,989	1,283,152

The weighted average effective interest rate is based on the coupon rate (interest paid) and does not include Government Guarantee Fee rates. The weighted average yield at 30 June 2020 was 2.95%.

Sensitivity Analysis

The table below shows the effect on profit and equity after tax if interest rates at balance date had been 100 basis points higher or lower than current levels, with all other variables held constant.

Economic Entity	Increase/(decrease) to Post-tax Profit 2020 $'000	Increase/(decrease) to Post-tax Profit 2019 $'000	Increase/(decrease) to Equity 2020 $'000	Increase/(decrease) to Equity 2019 $'000
Cash and Cash Equivalents				
If Interest rates are 100 basis points higher	51	40	51	40
If Interest rates are 100 basis points lower	(51)	(40)	(51)	(40)
Borrowings				
If Interest rates are 100 basis points higher	(886)	573	(886)	573
If Interest rates are 100 basis points lower	886	(573)	886	(573)

Note 29. Financial Instruments continued

B. Liquidity Risk

Effective liquidity risk management involves ensuring that the Economic Entity has sufficient funds and cash flows to meet its obligations and commitments at any point in time. The Economic Entity's liquidity is controlled through the preparation of detailed cash flows that incorporate future projections for a period of at least 10 years.

As part of its neutral benchmark debt portfolios the Economic Entity has also established the specific target for when total debt exceeds more than $50m (2019: $50m), that no more than 25% of the total face value debt (based on the portfolio in the year of maturity) is to mature in any 12 month period. When preparing the Statement of Corporate Intent, the Economic Entity must also submit to the Board for endorsement the proposed financial accommodation that will be required for the coming years (this is then required to be approved by the Treasurer of NSW).

In order to further manage liquidity risk, the Economic Entity has a $30m (2019: $30m) overdraft facility with NSW TCorp which is used to meet short-term cash flow requirements as deemed by management. Any surplus funds are invested in an at call deposit ("11am") account, also held with NSW TCorp.

While current liabilities exceed current assets at 30 June 2020 the Economic Entity continues to trade as a going concern. The Economic Entity has sufficient funds to meet its obligations until 30 June 2021.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. Management have assessed the Economic Entity's exposure to liquidity risk as insignificant based on prior period data and current assessment of risk.

Thus, the Economic Entity's financial statements have been prepared on a going concern basis.

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW Treasury Circular NSWTC 11/12: *Payment of Accounts*. NSWTC 11/12 specifies that supplier payments are to made within 30 days unless an alternative period is provided.

			Maturity Dates			
Economic Entity 2020	Carrying Amount	Total Contractual Cash Flows	Within 1 Year	Within 1-2 Years	Within 2-5 Years	Over 5 Years
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	98,942	98,942	98,942	-	-	-
Borrowings	1,417,497	1,586,504	191,817	262,927	668,915	462,845
Lease Liabilities	37,033	48,933	4,466	4,045	12,412	28,011
Total	**1,553,472**	**1,722,479**	**293,757**	**265,608**	**676,591**	**486,524**
Economic Entity 2019						
Trade and other payables	89,989	89,989	89,989	-	-	-
Borrowings	1,193,163	1,381,939	238,639	88,498	518,129	536,673
Total	**1,283,152**	**1,471,928**	**328,628**	**88,498**	**518,129**	**536,673**

C. Credit Risk

Credit risk refers to the risk that indebted counterparties will default on their contractual obligations, resulting in financial loss to the Economic Entity. Exposures to credit risk exist in respect of financial assets such as trade and other receivables, cash and cash equivalents and investments in marketable securities.

In respect of trade and other receivables, the Economic Entity monitors balances outstanding on an ongoing basis and has policies in place for the recovery and write-off of amounts outstanding. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. All long term investments are held as government bonds with any of the appropriately rated (A+ or better) State Governments, and any short-term investments are held in a NSW Treasury Corporation (NSW TCorp) at call deposit account or bank term deposit. The Economic Entity limits its exposure to credit risk by only investing cash and cash equivalents in liquid securities with reputable financial organisations, namely NSW TCorp and other financial institutions. The Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into.

The only financial assets that are past due or impaired are sales receivables of the Statement of Financial Position.

Note 29. Financial Instruments continued

	Economic Entity		
	Total [1]	Past Due but Not Impaired [1]	Considered Impaired
	$'000	$'000	$'000
30- 90 days overdue	6,994	6,994	-
> 90 days overdue	3,212	3,019	193

[1] The ageing analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore, the total will not reconcile to the receivables total recognised in the Statement of Financial Position.

Note 30. Events Occurring After Balance Date

In August 2019 the Minister for Water, Property and Housing, announced the introduction of Level 1 water restrictions commencing mid-September 2019. Level 2 water restrictions were triggered in February 2020 but reverted back to Level 1 restrictions in March 2020. The financial impact of the drought on the Economic Entity has been reflected in the results of the Economic Entity for the financial year ended 30 June 2020. Whilst medium term weather forecast predict Hunter Water will remove water restrictions in the near future it is uncertain on the timing and future impact to profit if these restrictions continue.

No other matters or circumstances other than those noted above have arisen since the end of the financial year which significantly affected or may affect the operations of the Economic Entity, the results of those operations, or the state of affairs of the Economic Entity in future financial years.

End of Financial Statements.

Directors' Declaration

In accordance with a resolution of the Directors of Hunter Water Corporation and pursuant to Section 41C(1B) and 41C(1C) of the *Public Finance and Audit Act 1983*, in the opinion of the Directors the accompanying financial statements:

a) Exhibit a true and fair view of the financial position of Hunter Water Corporation as at 30 June 2020, and its financial performance for the year then ended.

b) Comply with the *Public Finance and Audit Act 1983*, the *State Owned Corporation's Act 1989*, *Public Finance and Audit Regulation 2015*, the Australian Accounting Standards (which include Australian Accounting Interpretations).

c) There are reasonable grounds to believe that Hunter Water Corporation will be able to pay its debts as and when they become due and payable.

We are not aware of any circumstances, which would render any particulars included in these statements to be misleading or inaccurate.

Terry Lawler AO
Chairman

Darren Cleary
Managing Director

Dated 24 September 2020
Newcastle

Customer and Community Advisory Group

Hunter Water's Customer and Community Advisory Group (CCAG) is an advisory forum made up of community representatives who provide advice on customer and community interests. It enables two-way, open communication between Hunter Water and local councils, customer representatives, and environmental and community organisations.

In 2019-20 the CCAG considered a range of issues including both those recommended by Hunter Water, and self-generated topics of interest to members. A summary of key matters addressed at the quarterly meetings follows.

Hunter Water's strategic direction

At each meeting Hunter Water provided an update on its corporate performance, as well as performance against the National Performance Report indicators. In October 2019 an extraordinary meeting was also held to coincide with a meeting of Hunter Water's Board of Directors. The session allowed for discussion between the groups on Hunter Water's drought customer communications.

Drought

At each meeting Hunter Water provided an update on current water storage levels and drought impacts, both within its area of operations and across the broader region. This included discussion about the integrated 'Love Water' water conservation campaign, Water Restrictions (both Level 1 and Level 2), support for business and residential customers, the role of Community Water Officers, the drought tankering program with local councils and water donations to the broader Hunter community.

Lower Hunter Water Security Plan

Hunter Water presented an update on the Lower Hunter Water Security Plan at each meeting, including customer and community engagement processes and results. In August 2019, this included a presentation on the paleochannel and interregional transfers (including the operation of the Central Coast pipeline). In November a discussion was held on the role of new technology for water conservation, demand management and source augmentation. In March 2020, Hunter Water presented on the importance of water conservation, and in May, a discussion was held on recycled water opportunities across the Lower Hunter.

Hunter Water's price submission

Hunter Water submitted its pricing proposal to IPART on 30 June 2019. Throughout the proposal's development, and during its consideration by IPART, Hunter Water provided updates to the CCAG including information on the pricing process itself, key issues and community engagement. Members participated in the public review process, including attending hearings and making submissions to IPART.

Approach to digital servicing and experience

In November 2019, CCAG members participated in a briefing about Hunter Water's digital transformation, including customer focused work to improve service and operational performance. A presentation was provided on changing service delivery models and expectations, opportunities provided by the Internet of Things (IoT) to find leaks and breaks, and our approach to digital metering.

Wyee Sewer Scheme

In August 2019, the CCAG met at Wyee Community Centre for a presentation on progress with the Wyee Backlog Sewer Scheme. The $36 million project will deliver reticulated sewer services to 400 properties within the township of Wyee for the first time. The presentation allowed for discussion of other priority areas, and IPART's approved pricing methodology.

Our People – diversity and inclusion

In March 2020, members engaged in a discussion about reconciliation and Hunter Water's first Reconciliation Action Plan (RAP). The discussion formed part of a broader conversation regarding Hunter Water's 'Our People' business plan goal.

Customer hardship support

Due to COVID-19 social distancing, the CCAG's May 2020 meeting was held electronically via Zoom. The group participated in a discussion about the impacts of COVID-19 on Hunter Water customers, including efforts underway to support customers experiencing adversity as a result of the pandemic.

Membership and attendance

Representative	Orangisation	Attendance at Meetings Held	
		A	B
Cr Paul Le Mottee (Chair)	Port Stephens Council	5	5
Cr Brian Adamthwaite	Lake Macquarie City Council	3	5
Cr Robert Aitchison	Maitland City Council	3	5
Mr Rick Banyard[a]	Property Owners Association	3	3
Mr David Beins	Representative of customers from culturally and linguistically diverse backgrounds	3	5
Ms Ange Bevan	Hunter Commercial Services	0	5
Ms Linda Bowden	Save the Williams River Coalition	3	5
Sally Corbett	Save the Williams River Coalition - alternate representative	1	-
Carol Pasenow	Save the Williams River Coalition - alternate representative	1	-
Ms Thea Bray	Public Interest Advocacy Centre	0	5
Ms Camila Cowley	Local Land Services	1	5
Cr Melanie Dagg	Cessnock City Council	3	5
Mr Geoff Dingle[b]	Medowie Progress Association	0	3
Ms Sue Hirsch[b]	Medowie Progress Association	2	2
Cr Jason Dunn	City of Newcastle	0	5
Dr Troy Gaston	University of Newcastle	1	5
Ms Suzanne Johns	National Seniors Association Newcastle Branch	4	5
Ms Amy de Lore[c]	Hunter Business Chamber	1	4
Mr William Lennox	Maitland Masonic Centre	3	5
Ms Jean McGarry	Lake Macquarie Sustainable Neighbourhood Alliance	3	5
Mayor Tracy Norman[d]	Dungog Shire Council	3	3
Mayor John Connors[d]	Dungog Shire Council	1	2
Cr Kate Murphy	Dungog Shire Council – Alternate Representative	1	-
Mr Joe Popov	Community Disability Alliance Hunter	4	5

A = Number of meetings attended.
B = Number of meetings (including extraordinary meetings) held during the time the member was part of the committee.

a = Mr Banyard retired from the CCAG in November 2019.
b = Mr Dingle was granted a leave of absence due to illness. Mr Dingle sadly passed away in 2019. Ms Hirsch, previously an alternate representative, has continued to represent the Medowie Progress Association on the CCAG.
c = Ms de Lore voluntarily 'suspended' her CCAG membership in March 2020, following her appointment to Hunter Water's Lower Hunter Water Security Plan Community Liaison Group (CLG).
d = Cr Norman concluded her term as Mayor of Dungog Shire in February 2020. Cr John Connors was elected Mayor, and Dungog Shire Council delegate to the CCAG in March 2020.

Employees

Average Total Remuneration Package of Executives at 30 June 2020

Band	Average Remuneration		Gender 2020		Gender 2019	
	2020 ($)*	2019 ($)*	Female	Male	Female	Male
Band 4	-	570,381	-	-	-	1
Band 3	468,894	-	-	1	-	-
Band 2	300,957	293,188	2	4	-	2
Band 1	232,663	258,083	-	2	2	2
Total			**2**	**7**	**2**	**5**

* Including superannuation and performance pay.
Note: As a SOC Hunter Water does not use the NSW Public Service Senior Executive Remuneration Framework.

Average Total Remuneration Package of Executive

In 2019-20 4.71% of Hunter Water's employee related expenditure was related to senior executives compared with 4.15% in 2018-19.

Note: Calculation for employee related expenditure includes salaries, wages, overtime and bonuses paid in 2019-20. Oncosts are not included. Executive expenditure includes all senior executives at 30 June and costs for the interim Managing Director contract.

Executive Positions at 30 June 2020

Senior Officer	Position	Qualifications	Term of financial year
Darren Cleary	Managing Director	BE, ME	1 May 2020 - 30 June 2020
Victor Prasad	Executive Manager Customer Strategy and Retail	BE (Civil)	1 July 2019 - 30 June 2020
Clint Thomson	Acting Executive Lead - New Ways of Working	Grad Dip MEM, BE (Mech)	8 May 2020 - 30 June 2020
Jennifer Hayes	Chief Financial Officer	MBA, BBus (Accounting), Certified Practicing Accountant, GAICD	1 July 2019 - 30 June 2020
Laura Hails	General Counsel and Company Secretary	B Finance, B Law/Dip Legal Practice, Grad Dip Applied Corporate Governance	1 July 2019 - 30 June 2020
Ian Pike	Head of People and Culture	BSc (Environmental Health), GAICD	19 December 2019 - 30 June 2020
Richard Harris	Chief Information and Technology Officer	BA (Computer Science)	1 July 2019 - 30 June 2020
Glen Robinson	Acting Executive Manager Service Delivery for Customers	BE, B Surveying, Dip Mngt	2 March 2020 - 30 June 2020
Stuart Horvath	Acting Chief Investment Officer	BE (Civil)	16 March 2020 - 30 June 2020

Changes to structure, Board and Committees from I July to 30 November 2020

Please note the following changes from the end of financial year 2019-20 to the submission date of this report:

- Jenny Francis commenced as Acting Chief Information and Technology Officer on 28 July
- Emma Berry commenced as Acting Chief Investment Officer on 4 August
- Richard Harris departed Hunter Water on 23 July
- Ruth Lavery retired as Director on 30 August
- Eric De Rooy commenced as Director on 25 August
- Geoff Crowe commenced as Director on 31 August.

Workforce Profile

	2020	2019	2018	2017	2016	2015
Males	323	309	316	325	322	314
Females	167	158	143	141	134	147
Total	**490**	**467**	**459**	**466**	**456**	**461**
Permanent	400	403	394	406	393	394
Temporary	32	8	8	5	9	15
Part-time	58	56	57	55	54	52
Total	**490**	**467**	**459**	**466**	**456**	**461**
Redundancies	3	7	4	2	13	8
Recruitment	60	53	34	46	39	30
Unplanned absences (%)	3.45	3.48	2.8	3.2	3.1	3.4

Permanent: Full Time Employees, who are either ongoing or are fixed term for a period of >3 years.
Temporary: Fixed Term employees whose contract length is <3 years and Apprentices/Trainees.
Part Time: Employees who work less than full time hours. Employees may be ongoing or fixed term.

Trends in the Representation of EEO Groups[1,2]

Equal Employment Opportunity (EEO) Target Groups:

		% of Total					
	Benchmark/ Target	2020	2019	2018	2017	2016	2015
Women	50%	34.4	34.1	29.3	28.0	29.0	30.0
Aboriginal people and Torres Strait Islanders	2.70%	2.4	2.1	1.7	1.1	0.6	0.6
People whose first language was not English	10%	6.4	5.1	4.5	4.3	4.6	4.8
People with a disability	N/A	2.4	2.1	1.7	2.2	5.0	3.7[3]
People with a disability requiring work-related adjustment	N/A	1.2	1.5	1.3	1.9	4.1	4.6[3]

[1] Employee numbers are as at 30 June 2020.
[2] Excludes casual employees.
[3] 2015 result has been adjusted.

Note: The significant variation in participation of people with a disability and people with a disability requiring adjustment from 2016 to 2017 is due to an audit and review of employee data. The review included a move to employees self identifying.

Data from employees with a physical disability, Aboriginality and people whose first language was not English, is collected on a voluntary basis. Employees can elect to withdraw this information from their employment profile.

Trends in the Distribution of EEO Groups[1,2,3]

Distribution Index:

	Benchmark/ Target	2020	2019	2018	2017	2016	2015
Women	100	92	89	91	91	89	88
Aboriginal people and Torres Strait Islanders	100	76	74	72	66	N/A	N/A
People whose first language was not English	100	111	109	101	103	101	105
People with a disability	100	91	97	90	85	95	91
People with a disability requiring work-related adjustment	100	83	90	82	84	93	90

[1] Employee numbers are as at 30 June 2020.
[2] Excludes casual employees.
[3] The calculations are based on average salaries for the equity groups as a percentage of the average salary for all employees.

Data from employees with a physical disability, Aboriginality and people whose first language was not English, is collected on a voluntary basis. Employees can elect to withdraw this information from their employment profile.

Human Resources Policies and Practices

Policy Category	Policies and Standards
Attraction and Recruitment	Recruitment, Selection and Appointment Policy Recruitment and Selection Standard Equal Employment Opportunity Standard
Training and Development	Learning and Development Policy Learning and Development Standard Education Assistance Standard Young Professionals Standard Support for Professional Memberships and Continuing Professional Development
Performance and Reward	Performance Management, Misconduct and Disciplinary Policy Remuneration Policy Performance Management Standard Misconduct and Discipline Standard Remuneration and Salary Band Review Standard Annual Incentive Standard
General Employment Conditions	Redundancy and Redeployment Policy Redundancy and Redeployment Standard Senior Employee Benefits Policy Leave Standard Parental Leave Standard Keeping in touch with the Primary Carer Community Service Leave Standard Travel and Accommodation Standard Flexible Work Arrangements Standard Conflict of Interest Standard Corporate Device Policy Damage to Loss of Personal Effects Policy Dress Code Standard Fee/Licence Fee Standard Head Office Parking Standard Human Resources Policy Framework Internal Reporting Standard Organisation Security Policy
Ethics and Behaviour	Bullying and Harassment Prevention Policy Bullying and Harassment Prevention Standard Grievance Resolution Policy Code of Conduct Standard Code of Conduct Policy Grievance Resolution Standard Social Media Standard Employee Identification Card Standard Employee Records Standard External Notification Standard Diversity and Inclusion Policy Diversity and Inclusion Standard Fraud and Corruption Control Standard Gifts and Benefits Standard Breastfeeding in the Workplace Complaints and Allegations Policy Complaints and Allegations Standard Domestic and Family Violence Leave and Support Standard Fair and Just Approach

Multicultural Policies and Services Program (previously EAPS)

We strive to cater for the needs of all employees, customers and stakeholders, including those from culturally and linguistically diverse (CALD) backgrounds to ensure there is genuine equality of access to our corporate services. Providing opportunities and supporting our CALD employees and community members is an important component of our Diversity and Inclusion Strategy. We have a target to increase the number of our CALD employees from 8% to 16% by 2022. We rely on these diverse perspectives to drive innovation and collaboration, to deliver the best outcomes for our customers and communities. We strongly encourage those from CALD backgrounds to apply for job vacancies at Hunter Water and we support our current CALD employees in seeking development and progression opportunities.

We have celebrated Harmony Day in our offices by asking staff from culturally and linguistically diverse backgrounds to present on their native culture and heritage. This has been a fantastic initiative to highlight diversity within the business by promoting understanding and tolerance of those from different backgrounds. At Hunter Water we firmly believe in Harmony Day's message 'Everyone belongs'.

For our customers from culturally and linguistically diverse backgrounds, we continue to work with Northern Settlement Services which assists migrants and refugees in their settlement into Australian life. We assist approximately 100 customers per year through these services which include:

- Payment Assistance credit – this financial assistance allows them to set up smaller more regular payments to avoid the stress of having to pay a large lump sum at once
- affordable arrangements
- interest holds
- educational sessions and information on water savings.

Translation services are also available for customers from a non-English speaking background through our customer service centres.

Our Commitment to Diversity and Inclusion

At Hunter Water we fundamentally believe in and commit to diversity and inclusion. We value individuals' unique capabilities, backgrounds, experiences and characteristics. We rely on these diverse perspectives to drive innovation and collaboration, to deliver the best outcomes for our customers and communities. It is this diversity of perspectives that will enable Hunter Water to meet the challenges of the future.

Our Diversity and Inclusion Strategy has focused on creating an inclusive culture and promoting greater representation of six equity groupings namely; indigenous, abilities, gender equity, LGBTIQ+, generational diversity and cultural and linguistic diversity. Implementation of the strategy has to date produced a number of outcomes and benefits including progression towards several of the diversity targets.

Age diversity

We have established the Source - Hunter Water's Young Development Network. This group provides networking, mentoring and training opportunities for the young, young and heart and new to the water industry. We have held keeping in touch morning teas with staff on parental leave and a variety of estate planning and superannuation sessions for staff at various life stages.

Cultural diversity

Eight percent of our workforce was born overseas and 8% identify as non-Australian. We celebrate Harmony Day each year at Hunter Water which is an observance day to acknowledge and raise awareness of the cultural diversity that exists in Australia and foster the message that everyone belongs.

Gender equality

For the third year in a row we have sponsored two female employees with leadership aspirations to undertake their MBA through the University of Newcastle's WiMBA scholarship program. Hunter water strongly supports this program which is designed to correct the gender imbalance in executive and board positions by equipping women with the tools and skills they need to step into leadership roles.

Flexibility

Twelve percent of our workforce works part-time or takes up other flexible working arrangements.

Abilities

Hunter Water has sponsored a student with a disability from the University of Newcastle and has committed to this sponsorship annually on an ongoing basis. The scholarship runs for three years and includes paid work experience at Hunter Water.

We have continued our silver membership with the Australian Network on Disability which is a member-based for-purpose organisation that supports organisations to advance the inclusion of people with a disability in all aspects

of business. We have undertaken an access and inclusion assessment to gain insights into our strengths and the maturity of our journey to be accessible and inclusive to people with disability.

Hunter Water has become part of the Inclusive 100. This is a community initiative launched by Castle Personnel to increase employment and the social inclusion of people living with disability. We have made a pledge to employ more people with a disability and to become ambassadors by sharing our experiences and encouraging others to join the Inclusive 100. Through Castle Personnel, we have been able to provide a number of people with disability, injury or illness with employment opportunities.

LGBTIQ+

Hunter Water's customer service centres in Honeysuckle, Maitland and Lake Macquarie have been registered as Welcoming Places. As a registered Welcoming Place we receive a sticker to display in our windows to let people know that LGBTIQ+ diversity is welcomed and celebrated in our business. We celebrate Wear It Purple Day annually in August and distribute communications internally and externally on our social media platforms. We have also become a member of Pride in Water which is a network created for LGBTIQ+ people and allies that work in the water industry throughout Australia.

Aboriginal and Torres Strait Islander People

A total 2.45% of our workforce identifies as Aboriginal or Torres Strait Islander which is an increase from last year at 2.1%. Our Reconciliation Action Plan (RAP) was developed to support and drive initiatives under the Indigenous stream of our Diversity and Inclusion Strategy. It covers initiatives under the three areas of 'Our People', 'Community Engagement' and 'Sustainable Procurement.' To date, a number of these initiatives have been achieved including strengthening relationships with stakeholders and community.

Employee Safety Performance

	2019-20	2018-19	2017-18	2016-17	2015-16
Lost Time Frequency Rate	2.7	2.4	4.5	1.3	5.1
Total Recordable Injury Frequency Rate	8.1	7.3	12.4	5.4	23
Lost time Injuries	5	4	7	1	5
First Aid Injuries	39	28	40	7	35
Medical Treatment Injuries	10	7	12	7	25
Prosecutions	0	0	0	0	0

Overseas Travel Commenced During 2019-20

In 2019-20 there was one Hunter Water overseas trip that received Ministerial approval:
11/03/2019 - 12/03/2019 - Graham Wood (Acting Chief Executive Officer) travel to New Zealand to represent Hunter Water at the Water Services Association of Australia (WSAA) annual members meeting. WSAA is the peak industry body representing the Australasian urban water industry (including utilities in Australia and New Zealand). Travel funded by Hunter Water.

Customer and Service Performance

Customer Base

Customer	Number of Properties 2019-20	Income Raised 2019-20 $m Actual
Residential	193,050	216.8
Multi-Residential[1]	51,872	39.5
Commercial	10,432	32.6
Industrial	1,274	12.1
Bulk Supply	2	4.9
Other[2]	2,504	18.0
Total	**259,134**	**323.9**

[1] Includes total number of individual flats.
[2] Includes some Hunter Water properties from which no revenue is raised.

Rainfall Received (Millimetres) - 12 Months Ending 19 April for Each Year[1]

Year	Newcastle	Grahamstown	Chichester
2015-16	1,369	1,635	1,615
2016-17	1,037	982	1,239
2017-18	750	826	955
2018-19	856	977	991
2019-20	830	878	859
Long Term Average	**1,113**	**1,040**	**1,257**
Years of Record	**155**	**53**	**93**

[1] Hunter Water reports on water supply and water consumption information for the period 20 April to 19 April. This timeframe allows a more accurate estimate of customer water use which relies on the four monthly cycle of billing meter reads.

Water Supplied (Megalitres) - 12 Months Ending 19 April for Each Year[1]

Source	2020	2019	2018	2017	2016	2015
Chichester	17,769	24,847	21,843	23,026	19,606	23,580
Tomago	19,179[4]	1,235	1,269	1,255	5,993	0
Grahamstown	26,335	44,711	46,758	43,057	39,837	40,702[3]
Total Major Sources	**63,284**	**70,793**	**69,869**	**67,337**	**65,437**	**64,282[3]**
Anna Bay[1]	674	1,279	1,786	1,931	2,195	1,941
Lemon Tree Passage	738	787	867	834	828	792
Total[2]	**64,696**	**72,858**	**72,522**	**70,102**	**68,460**	**67,015**

[1] Above figures for Anna Bay include water supplied from the Glovers Hill and Anna Bay Water Treatment Plants.
[2] Total includes losses from Dungog Water Treatment Plant and process water used at Grahamstown Water Treatment Plant.
[3] Grahamstown sourced water and Total Major Sources for 2014-15 have been updated.
[4] Tomago Borefield was placed online on 4 June 2019 and was operational for drinking water until 30 July 2020 as a drought response measure.

Water Consumption (Megalitres) - 12 Months Ending 19 April for Each Year[1]

	2020 ML	2020 (%)	2019 ML	2019 (%)	2018 ML	2018 (%)	2017 ML	2017 (%)	2016 ML	2016 (%)
Domestic	38,209	58%	41,273	56%	42,737	58%	39,834	57%	37,936	55%
Non-Domestic	17,143	26%	17,875	24%	19,374	26%	19,062	27%	18,171	26%
Bulk Supply	1,782	3%	3,663	5%	516	1%	487	1%	484	1%
Total Consumption	**57,134**	**86%**	**62,811**	**86%**	**62,627**	**86%**	**59,383**	**84%**	**56,591**	**82%**
Authorised (HWC own use)	2,021	3%	2,264	3%	2,051	3%	1,924	3%	2,450	4%
Apparent Losses	1,192	2%	1,277	2%	1,340	2%	1,272	2%	1,225	2%
Real Losses	6,037	9%	6,751	9%	7,177	10%	7,917	11%	8,514	12%
Gross Non-Revenue Generating	9,250	14%	10,291	14%	10,569	14%	11,113	16%	12,189	18%
Total Supply[1]	**66,384**		**73,102**		**73,196**		**70,496**		**68,780**	

[1] Hunter Water reports on water supply and water consumption information for the period 20 April to 19 April. This timeframe allows a more accurate estimate of customer water use which relies on the four monthly cycle of billing meter reads.
[2] Includes water received from a bulk supplier: 321ML in 2016, 393ML in 2017 and 675ML in 2018, 195ML in 2019, 1,637ML in 2020.

Water System Incidents

Incident / Solution	2019-20	2018-19	2017-18	2016-17	2015-16
Poor pressure	73	140	123	66	80
Pump problem	6	4	7	4	14
Seepage	336	202	132	198	296
Main flush	1,944	1,516	1,846	2,211	2,185
Main repair	1,461	1,383	1,522	1,248	1,335
Hydrant defect	1,551	1,168	1,066	1,038	911
Valve defect	387	309	269	230	290
Repair pathcock/maincock	4,460	3,772	3,179	3,080	3,160
Meter defect	759	686	544	651	740
Service defect repaired by Hunter Water	3,232	2,654	2,517	2,367	2,035
Service defect repaired by private plumber	1,028	716	705	746	806
Complaint unconfirmed	562	399	397	398	459
Other	1,511	1,404	1,366	1,439	1,537
Tap rewashers	42	27	27	30	59
Trunkmain repairs	207	847	1,325	2,463	2,856
Total	**17,559**	**14,547**	**15,031**	**16,370**	**15,640**

Water Transport System Reliability

	2019-20	2018-19	2017-18	2016-17	2015-16
Main breaks per 100kms main - trunkmains included in length of mains	28.3	27.0	30.0	24.8	26.8
Discoloured water complaints per 1,000 properties connected (tenancy)	3.5	2.1	3.5	3.8	3.6

Wastewater System Incidents

Incident/Solution	2019-20	2018-19	2017-18	2016-17	2015-16
Choke cleared - main	4,385	2,212	2,464	2,374	2,024
Choke cleared - branch	95	2,424	2,315	2,129	1,917
Private plumbers job[1]	421	393	424	449	532
House drains cleared	14	8	4	6	5
Storm overflow	218	124	224	60	436
Gravity sewer break	50	67	51	56	43
Rising main break	38	28	32	30	29
Pump Station malfunction	3	5	3	3	9
Vacuum Sewer Jobs	85	65	8	40	36
Pump Effluent Line	15	11	10	5	14
No work required	109	137	109	128	122
Complaint unconfirmed	312	266	278	281	379
Charge job[2]	0	0	1	0	1
Other	634	637	578	609	743
Total	**6,379**	**6,377**	**6,501**	**6,170**	**6,290**

[1] Problem in customer's private drains or fittings.
[2] Completed by Hunter Water and customer billed.

Wastewater Transport System Reliability 2019-20

	Number of Main Breaks and Chokes	Length of Sewer main (km)	Ratio of Main Breaks/Chokes Per 100km of Main
Total	**2,275**	**5,165**	**42.8**
	Number of Property Breaks and Chokes	Number of Wastewater Properties	Ratio of Property Breaks and Chokes per 1,000 Properties
Total	**2,424**	**247**	**9.8**

General Statistics

Water	2019-20	2018-19	2017-18	2016-17	2015-16
Population in area	606,308	601,172	591,192	589,955	583,659
Population supplied with water	593,537	586,951	577,856	571,389	563,611
Properties where water is available[1]	279,354	263,086	265,263	255,016	250,875
Properties connected to water (metered)[1]	259,134	254,221	250,314	246,011	242,277
Capacity of major sources (ML)	276,686	276,686	276,686	276,686	276,686
Total supply from sources (ML)[2]	66,384	71,888	72,522	70,103	68,781
Average day net supply (ML)[2]	176.8	191.0	198.7	192.1	187.9
Maximum day net supply (ML)[2]	232.7	287.8	330.0	299.7	271.1
Maximum week net supply (ML/day)[2]	220.5	264.6	290.4	263.1	253.8
Minimum day net supply (ML)[2]	132.3	140.9	132.3	132.3	123.7
Average consumption per residential tenement (kl/annum)	158.1	171.7	181.2	172.0	166.3
Five year rolling average consumption[3]	169.9	171.8	173.7	172.6	170.8
Water mains laid during year (km)	55.6	67.5	71.5	67.5	50.4
Water mains abandoned during year (km)	11.8	17.8	22.0	22.6	11.7
Water main length revisions during the year (km)	0.8	-1.2	-8.5	1.4	0.5
Total water mains in service (km)	5,165	5,120	5,072	5,031	4,985
Length of water main per connected property (m)	19.93	20.14	18.33	18.18	20.58
Water supplied free of charge: charitable, public and miscellaneous purposes (kl)	401,143	470,790	441,900	399,487	416,211
Water supplied free of charge: dollar value ($)	950,710	1,082,817	1,016,369	898,846	923,989
Wastewater	**2019-20**	**2018-19**	**2017-18**	**2016-17**	**2015-16**
Population supplied with water and sewer	569,480	563,155	556,021	546,348	539,585
Properties where sewer is available[1]	263,029	251,279	255,099	243,244	239,308
Properties connected to sewer[1]	246,717	242,189	238,559	234,376	230,618
Sewer mains laid during the year (km)	67.3	64.0	70.6	53.7	52.5
Sewer mains abandoned during the year (km)	4.2	6.1	6.1	4.5	5.8
Sewermain length revisions during the year (km)	0.2	72.4	6.7	3.7	3.6
Total sewer mains in service (km)	5,313	5,249	5,119	5,048.0	4,995.0
Length of sewer main per liable property (m)	20.5	20.6	20.5	20.5	20.6
Wastewater supplied free of charge: dollar value ($)	152,776	161,273	154,433	137,136	134,104
Drainage	**2019-20**	**2018-19**	**2017-18**	**2016-17**	**2015-16**
Properties liable[1]	74,349	71,737	71,218	70,620	69,978

Dissection of Population		2019-20	
Region	Population in Area	Served Water	Served Sewer
Newcastle	167,199	167,199	166,430
Lake Macquarie	207,108	208,560	201,804
Maitland	87,228	86,918	84,189
Cessnock	60,941	54,598	49,660
Port Stephens	74,332	72,581	66,362
Dungog	9,500	3,427	942
Sub Total	**606,308**	**593,284**	**569,386**
Singleton (Part Branxton)	-	253	94
Total	**606,308**	**593,537**	**569,480**

	2019-20	2018-19	2017-18	2016-17	2015-16
Ratio of properties connected to water and sewer, and water only[4]	95.95%	95.95%	95.88%	95.60%	95.70%

1. Property numbers have been revised: includes Hunter Water properties.
2. Supply and consumption figures are based on Water Year, i.e. 12 months ending 19 April.
3. Target is to not exceed 215KL/annum, based on five-year rolling average.
4. Includes five main local government areas only.

Waste Statement

Hunter Water continued to focus on increasing resource recovery from its waste streams during 2019-20. A total of 31,461 tonnes of solid waste was recorded, and of this 75% was recovered for reuse and recycling.

Key improvements from last financial year include:
- Spoil produced from civil works was reduced by 26%.
- Recycling rates of spoil increased.
- 77% of waste generated from major contracts work was recycled.
- Soft plastic recycling continued and expanded through the Plastic Police program.
- Compostable organics and coffee cups were also collected for recycling opportunities.

Hunter Water will continue to focus on these areas. We will also investigate where additional improvements can be made to reduce the amount of waste generated and to increase resource recovery and recycling. Our focus will be on developing innovative solutions to minimise our waste footprint and be a sustainable organisation.

Consumer Response

There was a 7.5% decrease in total water and sewerage complaints in 2019-20.

Billing and account complaints decreased by 24%, driven by fewer meter-reading complaints. We attribute this to improved billing accuracy driven by the introduction of a new meter reading software that incorporates the use of photos to confirm higher or lower than normal meter readings for meter read quality checks.

Water quality complaints increased by 17%. This increase was expected, due to sourcing a higher proportion of water from the Tomago Sandbeds groundwater aquifer as a management response to drought conditions and declining water storage levels. This water source contains a higher concentration of manganese and can be associated with increased 'dirty water' complaints. Tomago Borefield was operational for drinking water only until 30 July 2020 as a drought response measure. However, water quality complaints are likely to persist during the next 12 months due to increased levels of manganese already present in the network.

Water service complaints decreased by 9%. Sewer odour complaints were slightly lower than the previous year, although other sewerage service complaints were consistent with performance in prior years. Most odour complaints were recorded during dryer weather periods and were typically related to septicity based issues at wastewater pump stations or rising main outlets.

On average 98% of complaints were resolved within 10 working days, and the overall number of active complaints was maintained at a year to date average of 84, well below the target of 100. We have continued to focus on responding to and closing longer-term outstanding complaints.

External Complaints

Hunter Water supports the operation of the Energy and Water Ombudsman of NSW (EWON) which is an independent complaint resolution organisation. It provides customers with access to an external dispute resolution body offering an independent review of complaints if customers require this option. One hundred percent of cases referred by EWON were provided with a prompt response within two business days across 2019-20.

Commitment Tracker

We maintained the commitment tracker, introduced in March 2019, to monitor the commitment made to customers for the delivery of longer term capital project works. The works enhance water and wastewater network system performance and provide overall improvement to services for our customers. To ensure continued focus in this space, projects are tracked and progress is regularly reported to our Executive Management Team.

Total Number of Complaints

Table I. Total Number of Complaints (excluding EWON)

	2019-20	2018-19	2017-18	2016-17	2015-16
Total water and sewer complaints	900	966	872	764	1,160
Per 1,000 properties	3.5	3.5	3.5	3.2	4.8

Table 2 - Main Features of Complaints by Category

	2019-20	2018-19	2017-18	2016-17	2015-16
Water quality	204	175	169	221	407
Per 1000 properties	0.8	0.7	0.7	0.9	1.7
Water services	42	46[1]	28[1]	29[1]	13
Per 1000 properties	0.16	0.18[1]	0.11[1]	0.12[1]	0.05
Sewer services	313	311	300	247	247
Per 1000 properties	1.3	1.3	1.2	1.0	1.0
Drainage	2	0	0	1	5
Per 1000 properties	0.03	0.00	0.00	0.00	0.02
Billing	341	447	382	291	488
Per 1000 properties	1.3	1.8	1.6	1.2	2.0

[1] An interpretation error was made previously. Figures have been rectified, endorsed and updated by BOM/IPART.

Table 3 - EWON Complaints

	2019-20	2018-19	2017-18	2016-17	2015-16
EWON	75	90	100	103	126

FINANCIAL

INFORMATION ON THE STATEMENT OF FINANCIAL POSITION OF THE ECONOMIC ENTITY

Receivables

Receivables are shown as an asset on the Statement of Financial Position and total $43.12m.

	June 2020 $m	June 2019 $m
Tariff Income - billed	10.99	19.52
Tariff Income - unbilled	21.52	22.34
Sundry Debtors	0.70	1.28
Net GST Receivable from ATO	7.01	7.36
Community Service Obligations	0.26	0.81
Prepayments	2.39	2.42
Miscellaneous Debtors	0.44	0.67
	43.32	**54.40**
Less Provision for Doubtful Debts	(0.19)	(0.18)
Total Receivables	**43.12**	**54.22**

Information regarding the major categories follows.

A	**Tariff Income – Unbilled:** This item is an estimate of unbilled water and sewer usage for properties up to the reporting date that has been accrued.
B	**Net GST Receivable from ATO:** The Economic Entity is liable to pay GST on all taxable acquisitions. For the Economic Entity GST is only collected on a few taxable revenue items (e.g. external sales). In accordance with relevant Accounting Standards and NSW Treasury Circulars, the balance of receivables and payables are recorded as GST-inclusive. As the majority of sales by the Economic Entity are GST-free, but its purchases predominantly include GST, the Economic Entity receives a net refund of GST paid from the Australian Taxation Office on a monthly basis. The net amount refundable for the Economic Entity at 30 June 2020 (inclusive of accruals) and included in receivables was $7.01m
C	**Community Service Obligations:** The Economic Entity seeks financial reimbursement for providing services other than on a commercial basis. These services are titled Community Service Obligations (CSO's). Claims for reimbursement of CSO's are submitted each year to the relevant government department for endorsement and inclusion in the State Budget.

Approval for payment of the CSO claim is provided as part of Parliament's sanction of the State Budget, after which a payment schedule is agreed with the Department of Planning, Industry and Environment. The Economic Entity's CSO claims for 2019-20 were for rebates given to pensioners and exempt properties, for example churches. The 2019-20 claim and cash received were as follows:

	Amount Claimed $m	Cash Received $m	Outstanding (Prepayment) $m
Pensioner Rebate	14.21	14.06	0.15
Exempt Properties	2.08	1.99	0.09
Pensioner Assistance Scheme	0.10	0.09	0.01
Facilitation Costs	0.15	0.14	0.01
Total CSO Claim and Cash Received	**16.54**	**16.28**	**0.26**

Investments

The Economic Entity's investment powers are as set out in Part 6 of the *Government Sector Finance Act* 2018. A profile is as follows:

	June 2020 $m	June 2019 $m
Cash at Bank	5.81	4.97
Interest Earned	0.01	0.09
Average Interest (on average monthly investment balance)	0.24%	1.00%

All investments noted above are classified as current on the Statement of Financial Position.

Fixed Assets - Property, Plant and Equipment

	June 2020 $m	June 2019 $m
Opening WDBV	2,540.78	2,546.46
Less - Depreciation Charge	(54.45)	(52.56)
Less - Disposals	(1.01)	(0.75)
Add - Additions	92.91	66.63
Add - Externally Funded Assets	29.89	32.40
Add - Transfers Between Classes	-	-
Revaluation - Increment/(Decrement)	(32.04)	(51.41)
Total Fixed Assets - Property, Plant and Equipment	**2,576.08**	**2,540.78**

The total assets of $2,576m at 30 June 2020 represents an increase of $35.30m on the balance as at $2,541m at 30 June 2019.

Intangible Assets

	June 2020 $m	June 2019 $m
Opening WDBV	14.07	16.95
Less - Amortisation Charge	(5.50)	(5.51)
Less - Disposals	(0.11)	-
Add - Additions	8.53	3.05
Revaluation - Increment/(Decrement)	-	(0.42)
Total Intangible Assets	**17.00**	**14.07**

The Economic Entity's intangible assets consist of easements (a right of access to property), software, environmental credits and other intangible assets.

Borrowings

NSW Treasury Corporation (TCorp) is Hunter Water's Liability Advisor and assists in the management and structuring of the debt portfolio. Management of the portfolio is in accordance with NSW Treasury requirements and Board approved parameters. During 2019-20 the capital value of the Economic Entity's financial liability portfolio increased by $261.37m. The average interest yield on debt held at 30 June 2020 was 2.95%.

Lease liabilities are determined in accordance with AASB 16 *Leases* and are disclosed as borrowings at balance date in the Statement of Financial Position. The weighted average interest rate of lease liabilities was 4.10% at 30 June 2020.

A profile of the Economic Entity's Financial Liability Portfolio is as follows:

	June 2020 $m	June 2019 $m
Number of Loans	37	35
Face Value	1,467.73	1,268.44
Net Premium / (Discount) on Loans and Indexation	(50.24)	(75.28)
	1,417.50	**1,193.16**
Lease Liabilities - discounted	37.03	-
Current Capital Value	**1,454.53**	**1,193.16**
Market Value - Loans	1,523.56	1,289.66
Come and Go Facility	9.00	9.35
Lease Liabilities - undiscounted	48.93	-
Interest bearing liabilities included in the Statement of Financial Position are:		
Current	169.88	209.68
Non-Current	1,284.65	983.49
Total Capital Value Borrowings	**1,454.53**	**1,193.16**
Borrowings Maturity Profile		
Within 1 year	169.89	209.68
Between 1-5 years	855.99	515.14
Over 5 years	428.65	468.35
Current Capital Value	**1,454.53**	**1,193.16**

Employee Provisions

At 30 June 2020 the liability for Employee Provisions totalled $99.63m representing a decrease of $6.16m during the year.

	June 2020 $m	June 2019 $m
Long Service Leave	13.77	13.09
Defined-Benefit Superannuation	79.48	87.59
Accrued Sick / Annual Leave	6.38	5.12
	99.63	**105.79**

These liabilities are split on the Statement of Financial Position into:

	June 2020 $m	June 2019 $m
Current	19.42	17.66
Non-Current	80.21	88.13
	99.63	**105.79**

At 30 June 2020 the Economic Entity's defined benefit superannuation provision was $79.48m (2019: $87.59m).

Note: the Long Service Leave (LSL) entitlements have been disclosed at the present value of expected future cash outflows in accordance with accounting standard AASB119 *Employee Benefits*.

Breakdown of Landholdings as at 30 June 2020

Code	Description	Number of Properties	Value $m
1	Land fully utilised as an integral part of the Economic Entity's system.	390	25.65
2	Land partly used with the unused residue required for future integral needs.	3	0.38
3	Land not currently used but fully required for future integral needs.	7	1.46
4	Land partly used, the residue having potential for alternative use.	23	5.99
5	Land with significant potential for alternative use.	28	5.71
6	Land not currently used but potentially required for future integral needs	10	0.36
Total Breakdown of Landholdings as at 30 June 2020		**461**	**39.55**

Land holdings are valued and assessed in accordance with the NSW Treasury Accounting Policy (TPP14-01) Valuation of Physical Non-Current Assets at Fair Value. The last independent external land valuation was undertaken during 2018-19.

Land holdings in all codes have been valued in accordance with NSW Treasury Policy and Guidelines.

Property Disposals

There were no property transactions with a value greater than $5 million that did not go to public auction or tender in the 2019-20 financial year.

Material Capital Expenditure Contracts as at 30 June 2020 (GST-Exclusive)

(Contracted for at balance date but not provided for)

Contract Number	Contract Description	Committed Amount $m
CS1098	Farley Wastewater Treatment Works Upgrade	46.87
CS1095	Tanilba Bay Wastewater Treatment Works Upgrade	15.76
CS0910A	Dungog Wastewater Treatment Plant Upgrade	12.06
CS1135	Drought Response Belmont Desalination Plant	6.33
CS1043	Dungog and Kurri Kurri Wastewater Treatment Works Upgrade	5.28
CP3443	Link Road South Gravity Sewer Main Construction	3.28
CS1062	Various Network Upgrades	3.22
CS0505	Grahamstown Water Treatment Plant Sedimentation Tanks Upgrade	3.07
CS1096	Switchboard Replacement	1.99
CP3443	Farley 1 Wastewater Pump Station Upgrade	1.77
CS0566B	Supply and Installation of Customer Billing System	1.24
CP3443	Chisholm 5 Wastewater Pump Station Upgrade	1.13
CS1140	Raymond Terrace Wastewater Treatment Works Chemical Dosing System Upgrade	0.96
CP3443	Wyee 2 Wastewater Pump Station Upgrade	0.94
CP3443	Anna Bay 9 Wastewater Pump Station Upgrade	0.72
CS0504	Farley Wastewater Treatment Works Potable Water Main	0.62
CP3443	Raymond Terrace Sewer Main Extension	0.57
CS1115	Contact Centre Replacement Project	0.56
	Other Commitments less than $0.5m	3.82
		110.18

FINANCIAL SUMMARY AND RATIO ANALYSIS OF THE ECONOMIC ENTITY

Operating Program 2020

Economic Entity

A summary of actual and budgeted results for 2019-20 and comparisons with 2018-19 results and budget is as follows:

	Actual 2020 $m	Budget 2020 $m	Actual 2019 $m	Budget 2019 $m
Income				
Net Tariff Income	331.22	344.40	336.34	326.05
Interest on Investments	0.01	0.05	0.09	0.05
Profit / (Loss) on Sale and Disposal of Assets	(1.96)	(1.23)	(0.93)	-
External Sales	0.57	0.46	1.78	0.49
Contribution from Capital Works	29.82	27.67	33.53	35.00
Other (inc Non-Regulated Income)	6.80	5.35	3.84	3.03
Total Income	**366.46**	**376.70**	**374.65**	**364.62**
Expenditure				
Operating Expenses	162.48	151.90	152.82	145.03
Superannuation Interest Expense	2.53	3.39	2.67	3.82
Revaluation Increment / (Decrement)	0.04	-	0.45	-
Depreciation and Amortisation	64.31	65.14	58.06	61.24
Interest Expense	45.05	51.35	44.72	45.01
Financial Charges	20.84	23.96	19.68	19.41
Total Expenditure	**295.27**	**295.75**	**278.39**	**274.52**
Operating Profit Before Tax	**71.19**	**80.95**	**96.26**	**90.10**

Operating Program 2021

Economic Entity

	Budget 2021 $m
Income	
Net Tariff Income	332.41
Interest on Investments	0.02
Profit / (Loss) on Sale and Disposal of Assets	(1.17)
External Sales	-
Contribution from Capital Works	24.11
Other (inc Non-Regulated Income)	3.55
Total Income	**358.92**
Expenditure	
Operating Expenses	154.82
Superannuation Interest Expense	2.94
Depreciation and Amortisation	73.14
Interest Expense	39.61
Financial Charges	23.56
Total Expenditure	**294.07**
Operating Profit Before Tax	**64.85**

Five Year Financial Summary and Ratio Analysis

I. Statement of Financial Position (Economic Entity)

	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Current assets					
Cash and Cash Equivalents	5.81	4.97	33.20	11.67	11.97
Trade and Other Receivables	42.69	53.74	45.94	43.46	46.90
Current Tax Assets	3.16	-	-	-	-
Inventories	3.08	2.63	2.67	2.57	2.48
Assets held for sale	-	-	-	30.83	43.29
Total current assets	54.74	61.33	81.80	88.53	104.64
Non-current assets					
Fixed assets	2,850.61	2,732.04	2,681.02	2,594.68	2,527.27
Right-of-use assets	35.95	-	-	-	-
Investments / other	0.44	0.48	0.44	0.37	0.44
Total non-current assets	2,886.99	2,732.52	2,681.46	2,595.05	2,527.71
Total assets	**2,941.73**	**2,793.85**	**2,763.26**	**2,683.58**	**2,632.34**
Current liabilities					
Trade and Other Payables	109.32	99.21	100.72	79.50	88.08
Current Tax Liabilities	-	1.40	3.92	3.69	4.18
Borrowings	169.88	209.68	72.86	88.01	7.38
Provisions	54.54	162.43	64.42	59.24	56.14
Other Liabilities	-	-	-	4.12	4.12
Total current liabilities	333.74	472.71	241.92	234.57	159.91
Non-current liabilities					
Borrowings	1,284.65	983.49	1,056.50	1,013.34	1,064.18
Provisions / other	181.25	196.44	196.20	220.63	240.37
Total non-current liabilities	1,465.90	1,179.93	1,252.70	1,233.98	1,304.55
Total liabilities	**1,799.64**	**1,652.64**	**1,494.61**	**1,468.54**	**1,464.46**
Net assets	**1,142.09**	**1,141.21**	**1,268.65**	**1,215.04**	**1,167.89**
Equity					
Share capital	116.54	116.54	116.54	112.19	103.70
Reserves	327.32	352.45	388.43	389.50	390.89
Retained profits	698.23	672.22	763.68	713.35	673.30
Total equity	**1,142.09**	**1,141.21**	**1,268.65**	**1,215.04**	**1,167.89**

2. Income Statement (Economic Entity)

Trading Operations	2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Revenue					
Tariff	314.68	320.02	306.56	279.13	275.04
Other	23.85	21.93	28.96	23.22	26.51
Less: operating costs	157.13	147.95	140.72	122.55	119.62
Gross margin	**181.40**	**194.00**	**194.80**	**179.80**	**181.94**
Other income					
Investments	0.01	0.09	0.19	0.06	0.10
Other expenditure					
Financing charges	65.90	64.40	64.55	62.85	70.56
Depreciation and amortisation	64.31	58.06	59.08	51.99	49.90
Superannuation adjustment	7.88	7.53	8.32	7.99	7.62
Other	1.94	1.37	1.12	7.93	3.86
Profit before contributions for capital works	**41.38**	**62.73**	**61.93**	**49.11**	**50.10**
Contributions for capital works	29.82	33.53	32.41	33.16	28.60
Net Profit	**71.19**	**96.26**	**94.34**	**82.27**	**78.69**

3. Financial Ratios

Profit included in calculating ratios is Profit before Superannuation Adjustments and Contributions for Capital Works.

	2020	2019	2018	2017	2016
A - Gross Profit (%)	53.58	56.73	58.06	59.47	60.33
B - Working Capital (ratio)	0.16	0.13	0.34	0.38	0.65
C - Cash Ratio	0.02	0.01	0.14	0.05	0.07
D - Equity to Total Liabilities (ratio)	0.63	0.69	0.85	0.83	0.80
E - Interest Cover (times)	2.25	2.50	2.50	2.32	2.21
F - Return on Equity (%)	6.04	8.91	7.98	6.92	7.43
G - Real Rate of Return (%)	4.16	5.04	5.12	4.69	5.15
H - Return on Total Net Assets (%)	4.31	6.16	5.54	4.70	4.94

Comments on Financial Ratios

For ratios calculated with reference to profit, it is the profit before superannuation adjustments that has been used. It is believed that due to the inherent variability of the superannuation adjustment between financial years, if this was included in profit then valid ratio comparisons between years could not be performed.

A - Gross Profit

Gross Profit is calculated as gross margin divided by total revenue. Increasing margins are an indication of potential profitability and the increases should correlate to increases in gross operating revenue and thus ensure that the benefits of increased income from services are not being eroded by increased costs of providing the services. Performance for 2019-20 has decreased compared to the prior year due to the impact of the drought with lower revenue and higher operating costs.

B - Working Capital

Working Capital is calculated as current assets divided by current liabilities and provides an indication of liquidity and capacity to realise current assets to meet current commitments. This ratio has increased slightly due to the lower end of year dividend provision at 30 June 2020 compared to 30 June 2019.

C - Cash Ratio

Cash Ratio is calculated as current investments divided by current liabilities and is similar to the working capital ratio in that it provides an indication of liquidity. This ratio has remains consistent with the prior year.

D - Equity to Total Liabilities

Equity to Total Liabilities is calculated as total equity divided by total liabilities. This ratio provides an indication of the longer term solvency of Hunter Water, in that it shows the level of financial equity in the business as represented by how many times net assets if liquidated would cover total liabilities. This ratio has decreased slightly compared to prior years due to the increase in borrowings during 2019-20 to fund operational activities including the growing capital works program.

E - Interest Cover

Interest Cover is calculated as funds from operations adjusted for by non-cash items (depreciation, non-cash contributions, etc.) divided by interest expense and financial charges. This ratio provides an indicator of the ability to meet interest commitments from operating profits. This ratio shows that Hunter Water is achieving operating profits sufficient to cover financing costs.

F - Return on Equity

Return on Equity is calculated as operating profit less non cash revenue divided by the sum of Issued Capital and Retained Profits. Return on Equity for 2019-20 is 6.04%, which is lower than prior year due to the impact of the drought (lower revenue from water sales and higher operating costs) and the associated decreased operating profit for the year.

G - Real Rate of Return

Real Rate of Return (RRR) is calculated as operating profit plus net interest and financial charges divided by written down book value of infrastructure assets and capital work-in-progress. RRR reflects the implicit rate of return generated from operating activities. For inter-agency comparison purposes the Water Services Association of Australia (WSAA) utilises a RRR in order to capture the major economic indicators of commercial performance i.e. capital costs, recurrent costs and revenue. The rate of return Hunter Water may earn is used to pay real interest costs on debt and a return on equity which may in fact be a contribution to the NSW State Government by way of dividends or re-investment in the organisation. The current year's result is 4.16% which is lower than previous years primarily due to the lower profit as a result of impacts of drought.

H - Return of Total Net Assets

Return on Total Net Assets (RONA) is calculated as operating profit divided by the difference between total assets and total liabilities. This ratio is used to facilitate comparisons with making an investment in a risk free environment or other investment opportunities where greater security is offered for the investment made. The 2019-20 return on total net assets is lower than 2018-19 primarily due to decreased operating profit for the year primarily due to the impacts of drought.

Pricing Structure

The Independent Pricing and Regulatory Tribunal (IPART) sets the prices that Hunter Water charges for water supply, sewer services, stormwater drainage and a range of miscellaneous services. IPART conducted a public review of Hunter Water's prices for water, sewerage, stormwater and other services throughout 2019-20. IPART's Final Determination for Hunter Water was released in June 2020 and applies for the four-year period from 1 July 2020 to 30 June 2024.

Water

Water Service Charge ($) Filtered and Unfiltered (Metered and Unmetered)	2019-20	2018-19	2017-18	2016-17	2015-16
Residential Properties	$100.40	$75.01	$51.12	$25.69	$17.75

Non-Residential Properties Meter Size (mm)	Meter Equivalent[1]	2019-20	2018-19	2017-18	2016-17	2015-16
20mm standalone		$100.40	$75.01	$51.12	$25.69	$17.75
20mm	1.00	$100.40	$78.52	$56.12	$30.17	$18.54
25mm	1.56	$156.89	$122.68	$87.68	$47.13	$28.97
32mm	2.56	$257.04	$201.02	$143.68	$77.23	$47.47
40mm	4.00	$401.63	$314.08	$224.48	$120.67	$74.17
50mm	6.25	$627.54	$490.76	$350.75	$188.55	$115.89
65mm	10.56	$1,060.48	$829.37	$592.77	$318.67	$195.86
80mm	16.00	$1,606.49	$1,256.33	$897.92	$482.67	$296.67
100mm	25.00	$2,510.14	$1,963.01	$1,402.99	$754.18	$463.55
150mm	56.25	$5,647.83	$4,416.79	$3,156.74	$1,696.91	$1,042.99
200mm	100.00	$10,040.58	$7,852.05	$5,611.97	$3,016.71	$1,854.20
250mm	156.25	$15,687.50	$12,268.75	$8,768.75	$4,714.06	$2,897.00
300mm	225.00	$22,590.00	$17,667.00	$12,627.00	$6,788.25	$4,171.68
350mm	306.25	$30,747.50	$24,046.75	$17,186.75	$9,239.56	$5,678.12
Unmetered	Other[1]	$527.68	$496.62	$464.63	$430.69	$418.01

[1] Comprised of the service charge on a non-residential 20mm stand alone meter plus a water usage charge based on 180kL water usage per year.

Water Usage Charge (Metered Properties Only) ($/kL)	2019-20	2018-19	2017-18	2016-17	2015-16
Tier 1 (≤ 50,000 kL)					
Filtered water	$2.37	$2.34	$2.30	$2.25	$2.22
Unfiltered water	$2.17	$2.10	$2.02	$1.92	$1.86
Tier 2 - Filtered Water (> 50,000 kL)					
Kurri Kurri	$2.35	$2.32	$2.27	$2.22	$2.20
Lookout	$2.22	$2.19	$2.14	$2.10	$2.03
Newcastle	$2.16	$2.13	$2.09	$2.05	$1.98
Seaham - Hexham	$1.96	$1.94	$1.90	$1.86	$1.72
South Wallsend	$2.26	$2.23	$2.18	$2.14	$2.08
Tomago - Kooragang	$1.91	$1.89	$1.85	$1.81	$1.67
Dungog - charges only for water sourced from Chichester Dam within Shire	$1.91	$1.89	$1.85	$1.81	$1.67
All other locations	$2.37	$2.34	$2.30	$2.25	$2.22
Gosford-Wyong Water Usage Charges ($/kL)	$0.70	$0.69	$0.67	$0.66	$0.65

Sewer

Sewer Service Charge ($) (Metered and Unmetered)	2019-20	2018-19	2017-18	2016-17	2015-16
Residential Properties:					
Houses	$649.28	$635.85	$618.89	$604.34	$593.58
Multi Premises (Residential) - i.e. Flats and Units					
Per each residential property located in a multi premises (minimum charge)[1]	$535.66	$508.67	$479.63	$453.25	$430.34

Non-residential Properties [1,2] Meter Size (mm)	Meter Equivalent	2019-20	2018-19	2017-18	2016-17	2015-16
20mm stand alone		$838.91	$809.28	$774.94	$743.81	$593.58
20mm	1.00	$838.91	$944.21	$1,033.63	$1,180.28	$1,179.58
25mm	1.56	$1,265.58	$1,436.70	$1,583.00	$1,818.74	$1,843.09
32mm	2.56	$2,022.18	$2,310.06	$2,557.24	$2,950.95	$3,019.71
40mm	4.00	$3,114.44	$3,570.82	$3,963.64	$4,585.41	$4,718.30
50mm	6.25	$4,821.10	$5,540.79	$6,161.17	$7,139.27	$7,372.34
65mm	10.56	$8,092.16	$9,316.47	$10,373.13	$12,034.20	$12,459.26
80mm	16.00	$12,216.56	$14,077.26	$15,683.74	$18,205.97	$18,873.19
100mm	25.00	$19,043.15	$21,957.09	$24,473.81	$28,421.39	$29,489.36
150mm	56.25	$42,746.58	$49,317.62	$54,994.89	$63,891.58	$66,351.07
200mm	100.00	$75,931.38	$87,622.34	$97,724.38	$113,549.85	$117,957.46
250mm	156.25	$118,597.59	$136,870.24	$152,663.20	$177,396.79	$184,308.53
300mm	225.00	$170,745.15	$197,062.93	$219,809.95	$255,431.48	$265,404.28
350mm	306.25	$232,374.09	$268,199.74	$299,165.20	$347,654.29	$361,244.72

[1] Assumes a discharge factor of 100%. Sewer service charge = (meter connection charge x discharge factor) + deemed usage.
[2] Service charge is determined as the higher of the calculated charge using the charge above or the calculated charge using the 'Residential Properties' prices above.

Sewer Usage Charge ($/kL) (Metered only)	2019-20	2018-19[1]	2017-18	2016-17	2015-16
Non-residential only	$0.67	$0.67	$0.67	$0.67	$0.67

[1] Discharge allowance in a meter reading period 0.328 kL/day.

Stormwater

Stormwater Service Charge ($)	2019-20	2018-19	2017-18	2016-17	2015-16
Residential (Not Within a Multi Premise)	$79.63	$77.90	$75.71	$73.47	$71.86
Residential Multi Premise and Mixed Multi Premise	$29.47	$28.83	$28.01	$27.19	$26.59
Non-residential					
Small (< 1,000m^2) or low impact	$79.63	$77.90	$75.71	$73.47	$71.86
Medium (1,001 - 10,000m^2)	$260.08	$219.36	$183.90	$153.96	$129.90
Large (10,001 - 45,000m^2)	$1,654.10	$1,395.11	$1,169.59	$979.16	$826.21
Very Large (> 45,000m^2)	$5,255.48	$4,432.60	$3,716.05	$3,111.02	$2,625.07

Recycled Water (Mandatory Schemes)

Gillieston Heights	2019-20	2018-19	2017-18	2016-17	2015-16
Service charge (20mm base $/year)	$23.02	$22.71	$22.28	$21.82	$21.64
Usage charge ($/kL)	$2.07	$2.04	$2.00	$1.96	$1.93
Chisholm	**2019-20**	**2018-19**	**2017-18**	**2016-17**	**2015-16**
Service charge (20mm base $/year)	$23.02	$22.71	$22.28	$21.82	$21.64
Usage charge ($/kL)	$2.07	$2.04	$2.00	$1.96	$1.93

Backlog and Other Sewerage Services

	2019-20	2018-19	2017-18	2016-17	2015-16
Environmental Improvement Charge (EIC) ($):					
(Same for Hunter Water and Dungog)	$41.01	$40.46	$39.69	$38.87	$38.37
Clarence Town Sewer Charge ($) (Dungog Only)	-	$44.82	$43.95	$43.05	$78.26

Exempt Service

	2019-20	2018-19	2017-18	2016-17	2015-16
Charged Proportion	20%	20%	20%	20%	20%
Water Service - Exempt					
Residential Properties:					
House	$20.08	$15.00	$10.22	$5.14	$3.55
Unit/flat	$20.08	$15.00	$10.22	$5.14	$3.55
Non-residential Properties:					
Non-residential stand alone	$20.08	$15.00	$10.22	$5.14	$3.55
20mm	$20.08	$15.70	$11.22	$6.03	
25mm	$31.38	$24.54	$17.54	$9.43	$5.79
32mm	$51.41	$40.20	$28.74	$15.45	$9.49
40mm	$80.33	$62.82	$44.90	$24.13	$14.83
50mm	$125.51	$98.15	$70.15	$37.71	$23.18
65mm	$212.10	$165.87	$118.55	$63.73	$39.17
80mm	$321.30	$251.27	$179.58	$96.53	$59.33
100mm	$502.03	$392.60	$280.60	$150.84	$92.71
150mm	$1,129.57	$883.36	$631.35	$339.38	$208.60
200mm	$2,008.12	$1,570.41	$1,122.39	$603.34	$370.84
250mm	$3,137.50	$2,453.75	$1,753.75	$942.81	
300mm	$4,518.00	$3,533.40	$2,525.40	$1,357.65	
350mm	$6,149.50	$4,809.35	$3,437.35	$1,847.91	

Sewer Service - Exempt	2019-20	2018-19	2017-18	2016-17	2015-16
Residential Properties:					
House	$129.86	$127.17	$123.78	$120.87	$118.72
Unit/flat	$107.13	$101.73	$95.93	$90.65	$86.07
Non-residential Properties	Sewer service charge x 20%	Sewer service charge x 20%	Sewer service charge x 20%	Sewer service charge x 20%	Sewer service charge x 20%
Pensioner Rebate	$318.00	$307.00	$294.00	$281.00	$274.00

Note: Hunter Water has obtained the Treasurer's approval under section 18(2) of the *Independent Pricing and Regulatory Tribunal Act 1992* to make variations to existing IPART determinations:

IPART's 2006 Pricing Arrangements for Recycled Water and Sewer Mining, Determinations and Report sets the framework that Hunter Water applies for the recovery of costs associated with recycled water projects. In 2014-15 Hunter Water received the Treasurer's approval to set recycled water developer charges for dual reticulation in Gillieston Height and Chisholm growth areas in real terms at 2012-13 levels, to be adjusted for inflation annually.

On 4 November 2015, prior to the sale of the Kooragang Industrial Water Scheme (KIWS), Hunter Water obtained the Treasurer's approval to waive the sewer service and usage charges applicable to the land on which the KIWS treatment plant is constructed. These charges have been waived for the term of the existing contract for the supply of recycled water.

Statement of Corporate Intent

The annual Statement of Corporate Intent (SCI) specifies commercial performance targets agreed by Hunter Water and its voting shareholders. These targets are in turn aligned down through Hunter Water in divisional budgets.

The SCI performance targets and actual results for the 2019-20 financial year are as follows:

	Actual 2020 ($m)	SCI Target 2020 ($m)
Operating Profit before Income Tax Expense	71.19	80.95
Income Tax Expense	19.41	24.17
Net Debt	1,411.69	1,423.83

Operating performance for 2019-20 was impacted by drought conditions experienced in the Lower Hunter across the year. Revenue was lower than budget in 2019-20 due to lower customer water consumption as a result of water restrictions being announced in September 2019. These water restrictions remained in place at 30 June 2020. This was the first time water restrictions had applied in the Lower Hunter for 25 years and was in response to the severe drought impacting the region and the low water storage levels within Hunter Water's catchment area. Operating expenditure was also higher than budget primarily as a result of Hunter Water's unbudgeted drought response activities during the financial year.

Liability Management Performance

Hunter Water contracts the services of an external specialist (currently NSW T-Corp) to actively manage the Entity's debt portfolio. At 30 June 2020 the key statistics on the debt portfolio were as follows:

	Actual 2020 ($m)	SCI Target 2020 ($m)
Current capital value ($)	1,417.50	1,429.34
Average cost of debt (%)	2.95%	-
Weighted Average Life:		
Inflation Indexed Debt (years)	4.08	-
Nominal Debt (years)	4.22	-

Major Acquisitions over $1.0 Million

Project	2019-20 Expenditure ($m)
Dungog and Kurri Wastewater Treatment Works Upgrades	23.86
Farley Wastewater Treatment Works Upgrade	15.62
Wyee Backlog Sewer Scheme	14.23
Duckenfield to Tarro CTGM Replacement Works	10.50
Dungog Wastewater Treatment Plant Upgrade	7.48
Tanilba Bay Wastewater Treatment Works Upgrade	5.63
Supply and Installation of Customer Billing System	5.47
PLC and Telemetry Upgrade	5.26
Developer Delivered Infrastructure - Wastewater	4.61
Grahamstown Wastewater Treatment Plant Upgrade	4.39
Network Chemical Dosing Unit Upgrades	3.27
Morpeth Wastewater Treatment Works Stage 3 Upgrade	2.72
Maitland 14 Wastewater Pump Station Upgrade	2.46
Dumaresq St Stormwater Culvert Renewal	1.39
Smart Integrated Pump Scheduling	1.13
Hunter Palaeochannel Capital Works	1.07
Tomago Bore Stations Capital Works	1.05
Other Major Acquisitions (mostly made up of replacements in Hunter Water's water and sewer networks)	63.66
Total Expenditure	**173.80**

Consultancies

Consultants $50,000 and Over

Consultant	Project	Cost ($)
GHD Pty Ltd	Various consultancy services	1,594,697
AECOM Australia Pty Ltd	Various consultancy services	494,758
Publics Sapient Australia P/L	Various consultancy services	197,000
Total Drilling Pty Ltd	Investigation Services	173,500
Customer Science Pty Ltd	Customer Satisfaction and Surveys	168,811
Jacobs Group (Australia) Pty Ltd	Business Case Processes	137,253
Jearni Ltd	Learning Advisor	126,478
ARUP Australia Pty Ltd	Strategy and Procurement Services	106,406
University of Newcastle	Various Research and Consultancy Services	87,820
Kleinfelder Australia Pty Ltd	Energy Advisory Services	75,401
Umwelt (Australia) Pty Ltd	Archaeological Services	61,263
Advisian Pty Ltd	Survey Services	58,575
Total Consultants	**12**	**3,281,960**

Consultants Less Than $50,000

Category	Number	Cost ($)
Corporate	13	137,038
Engineering	51	714,397
Finance and ICT	10	151,538
Total Consultants	**74**	**1,002,973**

Research and Development (R&D)

During 2019-20, Hunter Water participated in Research and Development on projects covering water quality, wastewater, asset management, ecology and catchment management subjects. This was conducted with research partners such as University of Newcastle, University of Technology Sydney and Water Research Australia. Our program aims to identify critical knowledge gaps, provide the right knowledge to improve decision making, take advantage of new opportunities and address emerging challenges.

Collaborative R&D Projects with Expenditure in 2019-20

Project	Partners	Funding ($'000)
Climate Change Impacts on Water Quality	University of Newcastle	10
Benthic Cyanobacteria	Water Research Australia	15
Freshwater Endocrine Disruptors in Freshwater Molluscs	University of Newcastle	20
Critical Underground Pipe Sensing Research Program	University of Technology Sydney	20
PFAS Removal from Biosolids	University of Newcastle	10
eDNA for Marine Infauna	University of Newcastle	34.9
Lake Macquarie Environmental Research Grants	Lake Macquarie Council	7.47
Understanding the Cost of Algal Blooms	Water Research Australia	10
Future Water Quality in Reservoirs (low levels and rapid refill)	Water Research Australia	9
Value of Research	Water Research Australia	5
Development of Management System for Emerging Contaminants	Water Research Australia	5
Acute Freshwater Guide Value for Chlorine	Water Services Association Australia	4
Innovative Pipe Linings Research	Water Services Association Australia	30.7
Prioritisation of Emerging Contaminants in Water Catchments	University of NSW	14.9
Wastewater ColoSSuS Project (COVID-19 in Wastewater)	Water Research Australia	20
Effects Based Assessment	Water Research Australia / Global Water Research Coalition	5
National Drugs in Wastewater Project	University of Queensland	6.8
Peer Review of Bayesian Network	University of NSW	42.7
Cyanolakes - Remote Sensing of Cyanobacteria	University of Newcastle	34.1
Emerging Contaminants Characterisation in Wastewater	University of Newcastle	47.2
Total		**$351.8**

Donations and Sponsorship

To Non-Government Community Organisations

Organisation(s)	Project	Purpose of Project	Target Clients	Type	Amount
Caves Beach Public School P&C Association	Love Water Grants	Rainwater tank pumps	Community	Community Partnership	$8,000
Charlestown East Public School P&C Association	Love Water Grants	Water Warriors education program and bubblers retrofit	Community	Community Partnership	$6,996
Dungog Shire Council	Love Water Grants	Partnering with Dungog Shire Council to delivery water conservation grants to community specific projects	Wider Community	Community Partnership	$40,000
Hamilton Childcare	Love Water Grants	Establishment of a children's indigenous knowledge and water conservation garden	Community	Community Partnership	$9,958
Hunter Region Botanic Gardens	Bio Banking Botanic Gardens	Ongoing sponsorship of the Hunter Region Botanic Gardens (funded by Bio Banking of Hunter Water land that is leased by Botanic Gardens)	Wider Community	Community Partnership	$50,000
Hunter School of the Performing Arts	Love Water Grants	Rainwater tank installation	Community	Community Partnership	$5,000
Hunter Wetlands Centre	Love Water Grants	Rainwater tank pumps, power supply, backflow prevention devices.	Community	Community Partnership	$6,000
King St Community Preschool Maitland	Love Water Grants	Watering resources and drought tolerant plants	Community	Community Partnership	$900
Kookaburra Korner Early Education Centre	Love Water Grants	Rainwater tank pumps	Community	Community Partnership	$3,675
Kurri Kurri Public School	Love Water Grants	Bubblers and taps retrofit	Community	Community Partnership	$8,000
Lake Macquarie City Council	Community Bubblers	Co-branding of bubblers around LMCC area	Community	Community Partnership	$10,000
Maitland City Council	Love Water Grants	Educating youth through role play to reduce water use	Community	Community Partnership	$3,100
Maitland Showground	Maitland Regional Show	Support for the regional show	Wider Community	Event Sponsorship	$5,000
Newcastle Agricultural Horticultural and Industrial Association Inc	Newcastle Regional Show	Support for the Newcastle Regional Show which brings the city and regional communities together	Wider Community	Event Sponsorship	$5,000
Port Stephens Koalas	Koala hospital	Support towards the development of a new koala hospital in Port Stephens, and integrated conservation based community education program	Wider Community	Community Partnership	$35,000
Ronald McDonald House	Ronald McDonald House	Partnership with local plumber to make hot water system more efficient	Community	Community Partnership	$1,000
Surfest	Surfest	Sponsorship of a free local surfing and community event that highlights our clean beaches	Wider Community	Event Sponsorship	$10,000
Survivor's R Us	Love Water Grants	Rainwater tank installation	Community	Community Partnership	$8,500
Warners Bay Chamber of Commerce	Music in the Podium	Partnered to deliver a community social event with the opportunity to highlight the value of water	Wider Community	Community Partnership	$15,000
Warners Bay Community Garden	Love Water Grants	Water conserving public demonstration wicking beds	Community	Community Partnership	$9,880
WaterAid	WaterAid partnership	Contribution to partnership with water charity enabling clean water in developing countries	Wider Community	Sponsorship	$20,000
Total					**$261,009**

Payment Performance

Invoices Paid on Time Within Each Quarter

Quarter	Total Number of Invoices Paid on Time (%)		Total Amount of Invoices Paid on Time ($)	
	Target %	Actual %	Paid on Time within the Quarter	Total Invoices Paid within the Quarter
September	95%	94%	$84,203,235	$86,321,272
December	95%	96%	$76,944,138	$78,731,085
March	95%	95%	$68,524,346	$70,202,361
June	95%	91%	$91,365,081	$93,747,171
Total	**95%**	**94%**	**$321,036,800**	**$329,001,889**

The invoice payment report is based on quantity of invoices paid on time as a percentage and not based on a dollar amount. Across the 2019-20 year 94% of all invoices were paid on time. Based on total invoice payment amounts 98% of invoices were paid on time during 2019-20.

Analysis of Total Invoices Paid Within Each Quarter

Quarter	Paid on Time	Less than 30 Days Overdue	Between 30 and 60 Days Overdue	Between 60 and 90 Days Overdue	More than 90 Days Overdue	Total Invoices Paid within Quarter
Septem-ber	$84,203,235	$1,572,836	$317,845	$77,850	$149,506	$86,321,272
December	$76,944,138	$960,662	$561,606	$113,250	$151,428	$78,731,085
March	$68,524,346	$1,016,764	$472,659	$124,650	$63,942	$70,202,361
June	$91,365,081	$1,369,651	$734,558	$228,035	$49,846	$93,747,171
Total	**$321,036,800**	**$4,919,913**	**$2,086,668**	**$543,785**	**$414,722**	**$329,001,889**

During the year some invoice payments were delayed due to disputes with supplies resulting in delayed payments until contracted goods and/or services were delivered in line with agreed contract terms.

Cost of Producing Annual Report

Hunter Water advises that there were no external costs in the production of this annual report.

Significant Audit Matters

The Key Audit Matters identified by the Audit Office of NSW are noted in the Independent Auditor's Report on pages 48-51.

Legislation

Right to Information

During 2019-2020, Hunter Water received 12 formal *Government Information (Public Access) Act* 2009 (GIPA) applications, all of which were determined within the statutory timeframe. In order to promote 'openness of government' the majority of information requests are handled informally wherever possible. A formal application is not required if the volume of and ease of access to the information required to satisfy the request is not labour intensive.

Hunter Water is committed to helping educate our community, especially students, about the many aspects of water supply, treatment, conservation and the health benefits of drinking water.

Hunter Water launched a new website which was developed based on customer insights. It now has a cleaner design, more streamlined content, a supportive search engine and is mobile responsive. Information regarding Hunter Water's activities is regularly updated on this website, and is communicated via these other methods:

- Events and open days
- Facebook, Twitter and Instagram
- Advertising and media campaigns
- Newsletters, direct mail and eNews
- Partnerships and alliances
- Sponsorship and community funding
- Stakeholder briefings
- Media and government relations
- Water efficiency education program

Hunter Water proactively releases information on its pollution monitoring program for the EPA. Information is also made publicly available concerning up-to-date water storage levels, current water outages and incidents, major infrastructure projects, and customer charges.

Hunter Water also has Facebook and Twitter accounts to provide up-to-date information to customers during incidents involving our assets, the environment, customers or employees.

Number of Applications by Type of Applicant and Outcome[1]

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information Not Held	Information Already Available	Refuse to Deal With Application	Refuse to Confirm/ Deny Whether Information is Held	Application Withdrawn	Total	% of Total
Media	0	0	0	0	0	0	0	0	0	0%
Members of Parliament	0	0	0	0	0	0	0	0	0	0%
Private sector business	3	2	1	0	0	0	0	0	6	38%
Not for profit organisations or community groups	0	0	0	0	0	0	0	0	0	0%
Members of the public (application by legal representative)	2	3	0	0	0	0	0	0	5	31%
Members of the public (other)	1	2	0	1	0	1	0	0	5	31%
Total	**6**	**7**	**1**	**1**	**0**	**1**	**0**	**0**	**16**	
% of Total	**38%**	**44%**	**6%**	**6%**	**0%**	**6%**	**0%**	**0%**		

[1] More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to the table which follows.

Number of Applications by Type of Application and Outcome[1]

	Access Granted in Full	Access Granted in Part	Access Refused in Full	Inform-ation Not Held	Inform-ation Already Available	Refuse to Deal With Application	Refuse to Confirm/ Deny Whether Information is Held	Application Withdrawn	Total	% of Total
Personal information applications*	1	0	0	0	0	0	0	0	1	6%
Access applications (other than personal information applications)	5	7	1	1	0	1	0	0	15	94%
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0	0	0%
Total	**6**	**7**	**1**	**1**	**0**	**0**	**0**	**0**	**16**	
% of Total	**38%**	**44%**	**6%**	**6%**	**0%**	**6%**	**0%**	**0%**		

* A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Invalid Applications

Reason for Invalidity	Number of Applications	% of Total
Application does not comply with formal requirements (section 41 of the Act)	1	100%
Application is for excluded information of the agency (section 43 of the Act)	0	0%
Application contravenes restraint order (section 110 of the Act)	0	0%
Total number of invalid applications received	1	100%
Invalid applications that subsequently became valid applications	0	0%

Conclusive Presumption of Overriding Public Interest against Disclosure Matters Listed in Schedule I to Act

	Number of Times Con-sideration Used[2]	% of Total
Overriding secrecy laws	0	0%
Cabinet information	0	0%
Executive Council information	0	0%
Contempt	0	0%
Legal Professional Privilege	1	100%
Excluded information	0	0%
Documents affecting law enforcement and public safety	0	0%
Transport safety	0	0%
Adoption	0	0%
Care and protection of children	0	0%
Ministerial code of conduct	0	0%
Aboriginal and environmental heritage	0	0%

[2] More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once for each application). This also applies to the table which follows.

Other Public Interest Considerations against Disclosure: Matters Listed in Table to Section 14 of Act

	Number of Times Consideration Used[2]	% of Total
Responsible and effective government	2	13%
Law enforcement and security	2	13%
Individual rights, judicial processes and natural justice	7	47%
Business interests of agencies and other persons	4	27%
Environment, culture, economy and general matters	0	0%
Secrecy provisions	0	0%
Exempt documents under interstate Freedom of Information legislation	0	0%
Total	**15**	

Timeliness

	Number of Applications	% of Total
Decided within the statutory timeframe (20 days plus any extensions)	12	100%
Decided after 35 days (by agreement with applicant)	0	0%
Not decided within time (deemed refusal)	0	0%
Total	**12**	

Number of Applications Reviewed Under Part 5 of the Act (by Type of Review and Outcome)

	Decision Varied	Decision Upheld	Total	% of Total
Internal review	1	1	2	67%
Review by Information Commissioner[3]	0	0	0	0%
Internal review following recommendation under section 93 of Act	1	0	1	33%
Review by ADT	0	0	0	0%
Total	**2**	**1**	**3**	

[3] The Information Commissioner does not have the authority to vary decisions, but can make recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

Applications for Review Under Part 5 of the Act (by Type of Applicant)

Reason for Invalidity	Number of Applications for Review
Applications by access applicants	2
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0
Total	**2**

Applications Transferred to Other Agencies

	Number of Applications Transferred
Agency-Initiated Transfers	0
Applicant-Initiated Transfers	0
Total	**0**

Legislative Change

***Dams Safety Act 2015* (NSW) – commenced 1 November 2019**

The *Dams Safety Act 2015* (NSW) replaces the *Dams Safety Act 1978* (NSW). It was assented to on 28 September 2015, but did not commence until 1 November 2019. The *Dams Safety Act 2015* (NSW) establishes a new regulator, Dams Safety NSW, which comprises independent governing members, and which replaces the Dams Safety Committee. It also provides declared dam owners, such as Hunter Water, with a clear set of minimum requirements and a two year transition period to implement them from 1 November 2019. The *Dams Safety Act 2015* (NSW) allows the regulator to audit and enforce the standards and significantly increases the penalties for non-compliance.

***Modern Slavery Act 2018* (NSW) – not yet in force**
***Modern Slavery Act 2018* (Cth) – commenced 1 January 2019**

The *Modern Slavery Act 2018 (*NSW) was passed by Parliament in June 2018 (the NSW Act). At that time Hunter Water was considered to be a government agency for the purposes of the NSW Act. It was anticipated that the NSW Act would commence by 1 July 2019, however its commencement was delayed due to a parliamentary inquiry. In the interim period, the *Modern Slavery Act* 2018 (Cth) commenced on 1 January 2019 (the Commonwealth Act). Hunter Water is considered to be a "reporting entity", as defined in the Commonwealth Act.

The key provisions of the NSW Act are aligned with provisions in the Commonwealth Act with respect to the requirement to prepare and submit Modern Slavery Statements. Modern Slavery Statements must include details of Hunter Water's structure, operations and supply chains, modern slavery risks and actions taken to assess and address those risks, including due diligence and remediation processes.

Modern Slavery Statements will be publicly available on an online register. Hunter Water's first statement is due to be submitted by 31 March 2021.

***Work Health and Safety Act* (NSW)**

The *Work Health and Safety Act 2011* (NSW) (WHS Act) and *Work Health and Safety Regulation* 2017 (NSW) have recently been amended by the *Work Health and Safety Amendment (Review) Act* 2020 (NSW) which commenced on 10 June 2020. Some of the significant changes include:

- increased penalties for breaches of the WHS Act;
- expanded range of Category 1 offences to include "gross negligence" (not just "recklessness"), meaning a prosecutor does not need to prove intent; and
- a new offence of entering into insurance arrangements designed to cover payment of penalties imposed by a court for a WHS breach.

The WHS Act also includes an explanatory note stating that the death of a person at work may constitute manslaughter under the *Crimes Act 1900* (NSW), punishable by imprisonment for 25 years.

Public Interest Disclosures

Reporting Period July 2019 to June 2020

Number of public interest disclosures received by Hunter Water	0
Number of public officials who made public interest disclosures to Hunter Water	0
Information on public interest disclosures received:	
- Corrupt conduct	0
- Maladministration	0
- Serious and substantial waste of public money	0
- Government information contravention	0
- Local government pecuniary interest contravention	0
Number of public interest disclosures (received since 1 Jan 2013):	
That have been finalised in this reporting period	5
Has Hunter Water established an internal reporting policy?	Yes
Has Hunter Water taken action to meet its employee awareness obligations?	Yes
Actions taken to increase awareness include:	
- Inductions for new employees	
- Provision of intranet resources	
- Training	

Risk Management and Insurance Arrangements

Hunter Water has an Enterprise Risk Management Framework. This framework is consistent with IS0 31000 and provides a transparent and consistent approach to risk management, as well as standardised documentation and terminology. The Board of Directors has approved a suite of Risk Appetite Statements enabling articulation of their expectations and providing clear direction in organisational decision making. As part of its ongoing risk identification, assessment and management activities Hunter Water continues to establish and refine risk mitigation treatment actions and controls which reduce the impact and likelihood of adverse events. Key risks have been identified and mitigating controls and management strategies established. Details of key risks assessed with a high controlled risk and associated treatment actions are outlined in the table below.

Hunter Water has a comprehensive insurance program with the NSW Treasury Managed Fund. The central types of cover held include public liability, motor vehicles, workers compensation and property.

Key Risks	Description	Treatment Actions
Asset failure	Examines identified structural deficiencies of key assets and the impact on ability to deliver core services should failure occur	Deliver asset condition assessment programs Deliver capital works upgrades
Environmental compliance	Reviews business practice outcomes that do not meet environmental obligations	Implement Environmental Compliance Improvement Strategy Deliver upgrade strategies for wastewater treatment works Implement Environmental Management Plan Implement Hazardous Chemicals Management Program Develop climate change adaptation strategy
Unsafe work environment/ behaviours	Reviews work practices that do not sufficiently ensure the safety of employees and the community	Implement Fatal Risk Program Implement Manual Task Program Health and Wellbeing Program

Major Capital Works in Progress

Project	Cost	Commenced	Status (30 June 20)
Chichester Trunk Gravitational Main construction - Duckenfield to Tarro Replacement	45,072,000	July 2017	Underway
Dungog WWTW Upgrade	30,337,000	May 2017	Underway
Wyee Sewer Scheme	17,268,000	Feb 2017	Underway
Farley WWTW Stage 3B Upgrade	16,708,000	Jun 2018	Underway
Dungog Water Treatment Plant Upgrade	15,427,000	Aug 2018	Underway
Gillieston Heights and Chisholm RW Treatment Plant	10,328,000	Mar 2018	Underway
Maitland 14 WWPS upgrades (Housing Acceleration Fund HAF2)	10,139,000	Jun 2017	Complete
CTGM Hunter River Tunnel Renewal	9,798,000	Sep 2016	Underway
Telemetry System Upgrade 2018-2020	8,793,000	Jun 2018	Underway
SCADA Radio Network Replacement	8,418,000	Mar 2017	Complete
Tanilba Bay WWTW Upgrade	7,284,000	Apr 2019	Underway
Mayfield Culvert Renewal	5,128,000	Jul 2018	Complete
Grahamstown WTP Sed Tanks and Sludge Rakes	4,955,000	Jul 2018	Underway
Water and Sewer Relocation Program	4,637,000	Jul 2016	Underway
Switchboard Replacement Provision 2018-20	4,300,000	Apr 2019	Underway
Tillegra Riparian Improvement Project	3,629,000	May 2017	Underway
Network Chemical Dosing Unit Upgrade	3,575,000	Apr 2018	Underway
Morpeth Stage 3 WWTW Upgrade	3,372,000	Nov 2018	Complete
Tomago Bore Re-establish and Add Pre-treat	1,051,000	Nov 2019	Underway
Seaham Weir Refurbishment and Modification	973,000	May 2020	Underway
Containment and Safety Upgrades-Wastewater	722,000	Sep 2019	Underway
Generator Connection Point Improvements	486,000	Jan 2020	Underway

Definitions

Underway: design and/or construction commenced. Complete: practical completion achieved, in operation/implemented.

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CONTACT

Call
1300 657 657, weekdays 8am-5pm
1300 657 000, 24 hours, seven days
Translation service: 131 450

Visit
36 Honeysuckle Drive, Newcastle
128 Main Road, Speers Point
285 High Street, Maitland

Email
enquiries@hunterwater.com.au

Mail
PO Box 5171, HRMC NSW 2310

Connect
hunterwater.com.au

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36 Honeysuckle Drive
Newcastle NSW 2300